S. Hrg. 99-581

FOREIGN MISSIONS ACT AND ESPIONAGE ACTIVITIES IN THE UNITED STATES

HEARINGS

BEFORE THE

PERMANENT
SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

OCTOBER 22, DECEMBER 3, AND 5, 1985

Printed for the use of the Committee on Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE
58-439 O
WASHINGTON : 1986

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, DC 20402

S401-27

COMMITTEE ON GOVERNMENTAL AFFAIRS

WILLIAM V. ROTH, Jr., Delaware, *Chairman*

TED STEVENS, Alaska
CHARLES McC. MATHIAS, Jr., Maryland
WILLIAM S. COHEN, Maine
DAVE DURENBERGER, Minnesota
WARREN B. RUDMAN, New Hampshire
THAD COCHRAN, Mississippi

THOMAS F. EAGLETON, Missouri
LAWTON CHILES, Florida
SAM NUNN, Georgia
JOHN GLENN, Ohio
CARL LEVIN, Michigan
ALBERT GORE, Jr., Tennessee

Franklin G. Polk, *Chief Counsel and Staff Director*
Margaret P. Crenshaw, *Minority Staff Director*
Terry Jolly, *Chief Clerk*

Permanent Subcommittee on Investigations

WILLIAM V. ROTH, Jr., Delaware, *Chairman*
WARREN B. RUDMAN, New Hampshire, *Vice Chairman*

CHARLES McC. MATHIAS, Jr., Maryland
WILLIAM S. COHEN, Maine
THAD COCHRAN, Mississippi
TED STEVENS, Alaska

SAM NUNN, Georgia
LAWTON CHILES, Florida
JOHN GLENN, Ohio
CARL LEVIN, Michigan
ALBERT GORE, Jr., Tennessee

Daniel F. Rinzel, *Chief Counsel*
Eleanore J. Hill, *Chief Counsel to the Minority*
Katherine Bidden, *Chief Clerk*

CONTENTS

Opening statements: Page
Senator Roth ... 1, 103, 161
Senator Nunn ... 4, 172
Senator Glenn ... 19, 120

WITNESSES

TUESDAY, OCTOBER 22, 1985

Hon. Dave Durenberger, U.S. Senator from the State of Minnesota, and Hon. Patrick J. Leahy, U.S. Senator from the State of Vermont ... 6
William Webster, Director, Federal Bureau of Investigation ... 53
Richard Perle, Assistant Secretary of Defense ... 73

TUESDAY, DECEMBER 3, 1985

Hon. Daniel Patrick Moynihan, U.S. Senator from the State of New York ... 104
Ladislav Bittman, former deputy chief of active measures, Czechoslovakian Intelligence ... 131
James Durward Harper, Jr., Federal prisoner ... 144

THURSDAY, DECEMBER 5, 1985

James E. Nolan, Jr., Director, Office of Foreign Missions ... 162
Rozanne Ridgway, Assistant Secretary for European Affairs, Department of State ... 205

ALPHABETICAL LIST OF WITNESSES

Bittman, Ladislav: Testimony ... 131
Durenberger, Hon. Dave:
  Testimony ... 6
  Prepared statement ... 24
Harper, James Durward: Testimony ... 144
Leahy, Hon. Patrick J.:
  Testimony ... 6
  Prepared statement ... 24
Moynihan, Hon. Daniel Patrick:
  Testimony ... 104
  Prepared statement ... 126
Nolan, James E., Jr.:
  Testimony ... 162
  Responses to written questions from Senator Levin ... 197
Perle, Richard:
  Testimony ... 73
  Prepared statement ... 91
Ridgway, Rozanne:
  Testimony ... 205
  Prepared statement ... 219
Webster, William:
  Testimony ... 53
  Prepared statement ... 67

EXHIBITS

Page
1. "Spy Ring Shipped to China Before 'Sting,'" by Robert Rudolph, Newark Star Ledger, Feb. 14, 1984 97
2. Picture of Secure Telephone Unit 3, STU-3 107
3. Letter to Hon. Glenn English, chairman, Subcommittee on Information, Justice, and Agriculture, Committee on Government Operations, U.S. House of Representatives, from Frank C. Conahan, Director, National Security and International Affairs Division, General Accounting Office, Oct. 15, 1985 109
4. Statement of Ion Pacepa and responses to written questions 176
5. Charts 215

FOREIGN MISSIONS ACT AND ESPIONAGE ACTIVITIES IN THE UNITED STATES

TUESDAY, OCTOBER 22, 1985

U.S. Senate,
Permanent Subcommittee on Investigations,
Committee on Governmental Affairs,
Washington, DC.

The subcommittee met at 9:37 a.m. in room SD-342, Dirksen Senate Office Building, under authority of Senate Resolution 85, section 13, dated February 28, 1985, Hon. William V. Roth, Jr. (chairman of the subcommittee) presiding.

Members of the subcommittee present: Senator William V. Roth, Jr., Republican, Delaware; Senator William Cohen, Republican, Maine; Senator Sam Nunn, Democrat, Georgia; and Senator John Glenn, Democrat, Ohio.

Members of the professional staff present: Daniel Rinzel, chief counsel; Eleanore J. Hill, chief counsel to the minority; Katherine C. Bidden, chief clerk; David Glendinning and Paul Barbadoro, staff counsel; John F. Sopko, assistant counsel for the minority; Glenn W. Fry, investigator for the minority; Charles Osolin, press secretary; Mary Vinson, investigator for the minority; and Debbie Kamens, staff assistant.

[Senators present at convening of hearing: Senators Roth, Cohen, and Nunn.]

OPENING STATEMENT OF CHAIRMAN ROTH

Chairman Roth. The Permanent Subcommittee on Investigations today begins a series of hearings that will focus on the apparatus of the Soviet intelligence bureaucracy and the potential uses of the Foreign Missions Act in combating their illicit activities.

Our purpose in these hearings is not to undertake an exhaustive study of espionage cases nor the active measures available to neutralize the threat. We will concentrate our attention upon those representatives of foreign governments to whom classified information has been passed by U.S. citizens.

It takes two—and let me emphasize that—it takes two to successfully pass a secret, and by restricting the activities of these foreign representatives, we may well be able to stem the outflow of national security information.

Past hearings by this subcommittee have examined the efficiency of executive branch agencies to prevent the theft of technology and the need to reduce the number of personnel cleared for access to classified information. These initiatives, as important as they are, do not achieve what we want to unless we look at the source of our intelligence losses, and that is the hostile collectors. It is time that the public clearly understands the extent to which the Soviets and their surrogates of the Eastern European bloc and elsewhere conduct business in our Nation.

Espionage cases in recent years have revealed that hostile agents have increasingly assumed what appear to be legitimate positions—for example, corporate executives in the United States—and in doing so, their true mission is obscured. It is important to us to note that they are under no travel restrictions; in many cases, they can gain access to firms producing our most sophisticated technology merely by presenting their business cards. Using such covers, they may gain access to Americans' credit ratings and individual financial data as a means of determining a person's vulnerability to approach for espionage purposes.

Likewise, it is no secret that they have been found amassing intelligence data under the cover of diplomatic immunity as embassy and consular officials or as detailees to organizations of the United Nations.

Recently, I sponsored an amendment to the State Department budget authorization bill that was signed by the President and now restricts the activities of certain U.N. Secretariat personnel.

During the course of these hearings, we will be discussing other ways to resolve the serious problem of hostile foreign agents in our country. In shaping in these hearings some weeks ago, I determined we should address three interrelated questions: First, does the Foreign Missions Act adequately restrict the activities in the United States of the diplomatic corps of the Soviet Union?

Two, does the act need to be broadened to impose restrictions where none presently exist on the diplomatic corps of Soviet allies?

Three, should the restrictions imposed under the act be placed solely on the international diplomatic corps or amended to include those such as foreign-owned or controlled U.S.-based companies?

I look forward to the testimony of our witnesses as it relates to these questions, and I anticipate that based on their answers I will be introducing legislation to protect better our emerging technologies and military secrets from the prying eyes of hostile governments and their front organizations.

Finally, I would like to thank Sam Nunn, our ranking minority member, for his continued support and enthusiasm in holding these hearings. Much of the subcommittee's work in examining the technology transfer issue has been under the able direction of Senator Nunn, and the hearings that we begin today are a natural follow-on to the serious issues he has previously raised.

[Senator Roth's prepared statement follows:]

Prepared Statement of Senator Roth

The Permanent Subcommittee on Investigations today begins a series of hearings that will focus on the apparatus of the Soviet intelligence bureaucracy and the potential uses of the Foreign Missions Act in combatting their illicit activities. Recent espionage cases have revealed the loss of vital national security information to foreign powers. Most frightening of all, these acts of betrayal have seemingly been committed not for ideological reasons but simply for financial gain.

Our purpose in these hearings is not to undertake an exhaustive study of espionage cases nor the active measures available to neutralize the threat. We will concentrate our attention upon those representatives of foreign governments to whom classified information has been passed by U.S. citizens. It takes two successfully to pass a secret. By restricting the activities of these foreign representatives, we may well be able to stem the outflow of national security information.

Past hearings of this subcommittee have examined the efficiency of executive branch agencies to prevent espionage and the theft of technology by Americans who have been coopted by hostile governments. We have examined the need to reduce the numbers of personnel cleared for access to classified information as well as the need to reduce the volume of classified information itself. Those initiatives do very little, however, if we ignore the source of our intelligence losses—the hostile collectors. It is time that the public clearly understands the extent to which the Soviets and their surrogates of the Eastern European bloc and elsewhere conduct business in our nation. They are becoming increasingly sophisticated in their approach techniques and diversified in their base of operations. They are not merely planting trench-coated operatives to skulk in the darkness and photograph documents with cameras hidden in fountain pens. They are indeed more sinister than that.

But an even more significant development in their method of operation is the use of front organizations and cover stories to gain entry into our country and mask their true activities. Espionage cases in recent years have revealed that hostile agents have increasingly assumed apparently legitimate positions such as corporate executives in the United States. In doing so, their true mission is obscured, they are under no travel restrictions, and can gain access to firms producing our most sophisticated technology merely by presenting their business cards. Using such covers, they may also gain access to Americans' credit ratings and individual financial data as a means of determining the person's vulnerability to approach for espionage purposes. The Soviets place a great deal of emphasis on recruiting Americans and their ability to do so is only made easier when they have access to personal lifestyle and private financial information gained through phony business set-ups or tapping into computer systems.

Likewise, it is no secret that they have been found amassing intelligence data under the cover of diplomatic immunity as embassy and consular officials and as detailees to organizations of the United Nations.

The items they seek are not determined randomly or on a hit-or-miss basis. As this subcommittee has learned from testimony in previous hearings concerning illegal technology transfer, hardware is individually targeted by the Soviets and specific collection orders are passed to gathering agencies. As our hearings will show, those agencies include not only the Soviet KGB and GRU but also a highly effective cadre of agents from Soviet surrogate nations. And there are more than professional intelligence officers involved. The Soviets conscript the personnel assigned to their trade missions, press offices, and scientific organizations to obtain data and provide information on Americans likely to be approachable and turned to spying for them.

The results of such collections, of course, can be devastating. Their acquisition of certain of our key defensive technologies has rendered some systems useless. Indeed, the savings they have enjoyed in research and development, both in cost and time, by the clandestine activities of their agents, has allowed them to generally keep even with us militarily. Left to their own ingenuity and resources, the Soviets would be decades behind where the United States is today and would have little choice but to sit down at the bargaining table and work out a secure peace for the world.

Among my primary concerns in scheduling these hearings is the apparent lack of control over the activities of Eastern European passport holders who are in the United States for official government or alleged business reasons. We will be taking a close look at the Foreign Missions Act and its provisions regarding travel privileges of these foreign nationals to detemine the adequacy of procedures in light of the increasing threat posed by hostile intelligence agents.

Recently I sponsored an amendment to the State Department's budget authorization bill that was signed by the President and now restricts the activities of certain United Nations Secretariat personnel.

During the course of these hearings we will be discussing other ways to resolve the serious problem of hostile foreign agents in our country. There are a number of worthy proposals before the Senate now and my colleagues and I are discussing additional steps that can be taken, some of which we will hear about today. We must be careful in our approach, but realistic as well. We really can no longer afford, for example, to ignore the true nature of Soviet, East European, and Cuban "businessmen" in our country as representatives of firms which are, in fact, owned by their governments. They are not like U.S. businessmen in that their paychecks come from government coffers. Perhaps the time has come to treat them as the employees of Communist governments, which they are.

In shaping these hearings some weeks ago, I determined that we should address three interrelated questions:

1. Does the Foreign Missions Act adequately restrict the activities, in the United States, of the diplomatic corps of the Soviet Union?
2. Does the act need to be broadened to impose restrictions where none presently exist-on the diplomatic corps of Soviet allies?
3. Should the restrictions imposed under the act be placed solely on the international diplomatic corps or amended to include foreign-owned or controlled U.S.-based companies?

I am eager to hear the testimony of our witnesses as it relates to these questions and I anticipate that based on their answers I will be introducing legislation to better protect our emerging technologies and military secrets from the prying eyes of hostile governments and their front organizations.

Finally, I want to thank Senator Sam Nunn, our ranking minority member, for his continued support and enthusiasm in holding these hearings. Much of the subcommittee's work in examining the technology transfer issue has been under the able direction of Senator Nunn and the hearings that we begin today are a natural follow-on to the serious issues he has raised previously.

Chairman ROTH. Senator Nunn.

OPENING STATEMENT OF SENATOR NUNN

Senator NUNN. Thank you very much, Mr. Chairman. I am especially pleased to participate in today's hearing and I congratulate you and the majority staff for taking the initiative in examining this vital issue. I also am anxious to hear from Senator Leahy and Senator Durenberger, who lend real expertise in this matter because of their great leadership on the Intelligence Committee. I am privileged to serve under them and we look forward to hearing their testimony.

Our Nation's security depends on our ability to safeguard our military secrets and our advanced technology. Protecting this information is not an easy task, since we, as Americans, pride ourselves on the fact that we live in a free and open society. This task is that much harder because our country, for the most part, is free and open to our foreign guests as well. I don't think it is any coincidence that we are the leaders in technology and I think that our freedom and openness is a very vital factor in making us the leader in technology.

Therefore, in an effort to safeguard our secrets, we certainly do not want to lose the kind of freedom and openness that makes American technology the envy of the world.

Unfortunately, during the last several years, there has been a disturbingly large number of incidents involving efforts on the part of the Soviet Union and East bloc visitors or residents to steal our national secrets and our valuable technology.

These instances have apparently been committed by foreigners who have been officially welcomed and admitted into the United States. Few, if any, cases involve Soviets or their East bloc counterparts who have illegally entered the country. In order to maintain working relationships with the Soviet Union and Warsaw Pact nations, even in strained times, it is incumbent upon us to have some of their representatives visit and even reside in the United States.

Yet, recent events such as the Walker espionage case, the Howard spy case, and the espionage case involving an FBI agent and a former CIA agent have provided us fresh reasons for concern.

U.S. citizens who aid and abet U.S. technology transfer, it seems, usually are not acting alone. In each case that we have examined there seems to be an East bloc or Soviet spy willing and readily available to accommodate them. These foreign representatives are living in our country posing as educators, businessmen, diplomats, students, or tourists. It is apparent that the United States has become a victim, in many cases, of its own open society, particularly in its policies toward, Soviet Union and East bloc visitors.

Clearly, the time has come for us to examine our policies in this area, and we must examine these carefully and in a very balanced way. We cannot afford to allow the Soviets and our allies complete freedom of access or movement throughout our land.

As the ranking minority member of this subcommittee and with the support of Chairman Roth, we have had several investigations and conducted numerous hearings dealing with the illegal transfer of technology to the Soviet Union and also with the Federal personnel security clearance programs.

Last April, in our hearings on Federal Government personnel security clearance programs, we focused on many of the difficulties we face in safeguarding our national secrets and sensitive technology. These difficulties are of increasingly great concern, due to the seemingly overwhelming number of Soviet and East bloc agents in this country who are intent on penetrating our security.

The Soviets place a high priority on obtaining our technology and classified military secrets. We have learned that they seemingly spare no cost or manpower in this endeavor. We have learned that their plans are not ad hoc, but, systematic and well thought out.

This subcommittee, in previous hearings, has examined espionage cases and technology transfer cases where the participants conducted their activities throughout the entire American continent.

We have learned that foreign intelligence agents utilize meeting places, so-called dead drop zones and rendezvous points in every region of the country, rural and urban, without very much restriction.

I am not looking for answers which may in any way diminish the freedom and openness our society enjoys. I think we have to recognize that as one of our precious assets.

However, it is imperative that we scrutinize this problem and work to develop ways to better control and monitor the movement and activities of foreign visitors and residents who may pose a threat to our national security. We want to continue to encourage foreign science, trade, and educational programs which require visitation to the United States. Yet we must also have appropriate policies, laws, and programs in place that will effectively safeguard our security.

The key here is balance. This subcommittee has already examined several issues that impact on our national security. We have noted many areas of susceptibility. We have made numerous recommendations for changes. As a result of our previous hearings, Mr. Chairman, under your leadership, the responsible executive branch agencies have made some progress in formulating new policies and procedures which enhance our national security.

I intend to continue to work on this effort with you, Mr. Chairman, and with the other members of this subcommittee. We certainly hope that we can improve our national security laws, policies, and operations.

Again, I welcome Senator Durenberger and Senator Leahy this morning, and we look forward to their testimony. We certainly are grateful to them for sharing their knowledge and expertise from behind the closed doors of the Intelligence Committee. They are seldom seen, but they are always working for the security of our country.

Chairman ROTH. Thank you, Senator Nunn.

Senator Cohen.

Senator COHEN. No, thank you.

Chairman ROTH. It is my pleasure to welcome our two Senators, Dave Durenberger, who, of course, serves as chairman of the Select Committee on Intelligence and Pat Leahy, who is the vice chairman. I would like to express my appeciation for their being here and for the splendid leadership I think both of them are providing the select committee.

Gentlemen, I think you have been forwarned that under the subcommittee rules, all witnesses are sworn, so I would ask you to please stand and raise your right hands.

Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Senator DURENBERGER. I do.

Senator LEAHY. I do.

Chairman ROTH. Thank you. It is my understanding that you have a very extensive statement which you would like included in the record.

Senator DURENBERGER. That is correct, Mr. Chairman.

Chairman ROTH. I will do so, and I will let you gentlemen proceed according to your own statements.

TESTIMONY OF HON. DAVE DURENBERGER, U.S. SENATOR FROM THE STATE OF MINNESOTA AND HON. PATRICK J. LEAHY, U.S. SENATOR FROM THE STATE OF VERMONT

Senator DURENBERGER. Mr. Chairman, thank you very much.

It is truly a pleasure to testify before the Permanent Subcommittee on Investigations regarding the problem of hostile intelligence officers in the United States. This subcommittee, as we on the Intelligence Committee know, has led the way in informing the American public about security shortcomings and energizing the Government on these issues in the way that only you can, as well as through followup efforts in the Intelligence Committee.

In 1982, you focused attention on the technology transfer threat. Last spring, you demonstrated the need for major improvements in security clearance policies, and several of you have demonstrated your wisdom and devotion by joining the Intelligence Committee, where you make—all of you—important contributions to the national security.

Senator Leahy and I, as leaders of the Intelligence Committee, are both proud to work closely with this subcommittee and to bring counterintelligence and security issues to the attention of the American people.

We are especially pleased that today's hearing will focus on ways to control the numbers and activities of Soviet and other representatives who conduct espionage and related acts in the United States.

When people think of Soviet intelligence activities, they often think of the KGB and GRU officers who work out of the Soviet embassy here in Washington. But little do they realize how much larger that threat really is.

There are roughly 2,500 Soviet bloc personnel in the United States—in embassies and consulates, missions to the United Nations, the U.N. Secretariat, trade and commercial offices and other offices.

Many of those people are intelligence officers, and all the others are subject to co-option by Soviet bloc intelligence services. Let's all be clear on one point: We are talking about professional spying, not pushy diplomats.

Let us look at some of the cases. In 1983, a Bulgarian trade official in New York was nabbed for buying a secret document on security procedures for U.S. nuclear weapons.

In 1983, James Harper, an American businessman, was nabbed for selling Minuteman missile secrets to Polish intelligence. How did Polish intelligence get to him? They were introduced to him by another American businessman who was receiving large payments from an electronics firm in Poland.

In 1981, the official Polish firm, Polamco, was caught for recruiting William Bell, an American defense contractor who spied for Polish intelligence. That case started out in what looked like friendship: A Polish businessman in America getting to know one of his neighbors and doing some favors for him.

Unfortunately, Soviet bloc so-called businessmen abroad are about as private as the Red Army. There is truly no free lunch for Americans who may be their friends. Mr. Bell, for example, is in prison now, where he belongs, a man who learned his lessons the hard way.

FBI Director Bill Webster has called these cases merely the tip of the iceberg, and I have to say that we on the Intelligence Committee have seen plenty of information to back up Judge Webster's warning.

Fortunately, there is much that can be done to strengthen the Nation's defenses against espionage. The individual citizen, especially if he or she works for the Government, a Government contractor or a high-tech industry or research program, can be more vigilant in maintaining tight security and in reporting any contacts with Soviet bloc personnel to a security officer or the FBI. Our Government can do more, as well, although it is already doing quite a lot.

The Senate Intelligence Committee is currently reviewing the whole range of U.S. counterintelligence and security programs, and we plan to make a public report to the Senate on the state of those defenses.

The formal statement that Pat and I have prepared summarizes where the Intelligence Committee now stands on our review of those counterintelligence and security programs.

Briefly stated, the Intelligence Committee is working closely with the executive branch to formulate a joint agenda for administrative and legislative actions that we can agree merit immediate attention.

The agenda will cover the full range of issues, including counterespionage programs, technical security to protect communications and computer networks, personnel security practices to make sure those who have access to sensitive information merit that trust and classification procedures to ensure that we don't waste our time trying to protect information that doesn't merit protection.

Both we and the executive branch are looking larely at proposals made over the years by panels of experts, and we are both trying to quickly distill the wisdom of others rather than spend years reinventing the wheel. The Intelligence Committee has had several closed sessions on counterintelligence and security matters, and we plan more for this fall.

I am sorry to report, however, that the executive branch has been rather slow to get its act together, Despite excellent cooperation with the National Security Council staff, the White House has yet to designate a point man to testify before the committee.

I am sure the President shares our concerns on these issues, but I would be a lot more comfortable if there were tangible signs of his will to put his support into action.

We have already found many good ideas for the executive branch and Congress to consider, and it is important to note that these are proposals for measures that are fully consistent with a free society.

As President Reagan said in a nationwide radio address last June:

> We can counter this hostile threat and still remain true to our values. We don't need to fight repression by becoming repressive ourselves.

Our complete statement also notes a wide range of actions that Congress and the executive branch have already taken in recent years to improve aspects of our counterintelligence and security systems.

What further improvemens are needed? We are still feeling our way, but one clear problem is the lack of a national counterintelligence strategy that woud bring together the many facets of our efforts to detect counterintelligence activity. The organizational structure to deal with this is already in place in the executive branch. The President has a good sense of the breadth of the problem, but real improvements will depend on people's ability to overcome bureaucratic inertia. The President will have a much easier time if he can be armed with a strategy that ties different programs together and highlights the changes that will do the most good.

In the security field, the Government still lacks an organization to undertake long-term planning and guidance in the dozens of programs in DOD and elsewhere. A blue ribbon commission, Mr. Chairman, that featured Senator John Stennis as its vice chairman, made that recommendation nearly 30 years ago, and it is still a good idea.

Our written statement mentions several specific ideas that both we and the executive branch are considering, and I will focus on those ideas that relate to the hostile intelligence presence in the United States.

We have found four areas, in particular, in which action is warranted. One is reduction of the Soviet diplomatic presence in the United States. The Leahy-Cohen amendment to the Department of State authorization for fiscal year 1986 already requires a balanced between our presence in the Soviet Union and the Soviet presence here. But there are real questions regarding the will of the State Department to implement that policy. Senator Leahy will undoubtedly have more to say on that matter.

A second area requiring attention is reducing the size of the Soviet mission in the United Nations. That mission is more than twice the size of any other country's U.N. mission, and you know that isn't because the Soviets are devoted to the principles of the U.N. Charter. Senators Leahy and Cohen emphasized, when they introduced a bill on this subject last week, that it really ought to be possible for the United States, working with the United Nations, to apply the principle of equivalence to the Soviet mission.

A third area is controlling the activities of personnel of Warsaw Pact countries. We have already noted how East European intelligence services operate in the United States, and we know they are operating on behalf of the Soviets. It will do no long-term good to crack down on Soviet espionage if we take no steps to handle what will surely be a growing threat from Eastern European services.

It is true, of course, that East European governments do not always restrict U.S. personnel as much as the Soviets do. Let's be realistic: such restrictions don't matter so much in countries where Big Brother is watching from the wall.

Moreover, there are reasonable steps that the U.S. Government could take. For example, the State Department should require representatives from Eastern European countries to make their travel arrangements through the Office of Foreign Missions.

If the FBI finds personnel from such countries engaging in intelligence activities in a particular place, like the Silicon Valley, that place should be placed off limits to that country. Those ideas are hardly Draconian. They would seem to be worth implementing.

And finally, there needs to be better regulation of Soviet block and Warsaw Pact trading companies and other commerical entities. The new Export Administration Act lets the Commerce Department require a license for transfer of controlled goods or technology to any affiliate of a Communist government in the United States. That language should be applied to commerical entities that are owned or controlled by those governments, and the Foreign Missions Act should also be applied to those entities.

In case there is any question about whether that can be done, I intend to introduce legislation that will clearly authorize the State Department to apply the act of affiliates of foreign governments with the same meaning as in the Export Administration Act.

These four steps, Mr. Chairman and members of the committee, equalizing United States and Soviet Embassy and consular personnel, reducing the size of the Soviet U.N. mission, controlling the activities of representatives of Warsaw Pact countries and regulating Soviet bloc-controlled commercial entities, are necessary elements in a broader effort to implement a national counterintelligence strategy. And these hearings before the Permanent Subcommittee on Investigations will perform a most vital function by letting the American public and all elements of the executive branch, as well, know why such measures are necessary and how stronlgy they are supported in this Congress and by the people of this country.

Thank you, Mr. Chairman.

Chairman ROTH. Thank you, Mr. Chairman.

Senator Leahy.

Senator LEAHY. Mr Chairman, and Senator Nunn, Senator Cohen, I can't help but notice, sitting here with Dave Durenberger and you, that we almost have a quorum of the Senate Intelligence Committee.

I have to applaud you, Mr. Chairman, and the members of your committee, in having these hearings. It is necessary to have some of these hearings in Public to fully educate not only our colleagues, but the American people, about the espionage problem.

These hearings help alert the American people to a serious threat to national security: The pervasive presence of intelligence officials from the Soviet Union, People's Republic of China, Soviet bloc states and others. That danger to the United States is real, and it's damaging our national security.

I regret very much that it's taken the unprecedented string of espionage cases to which Chairman Durenberger has alluded to awaken Congress and the executive branch to this need for action. It is something that your committe and our committee has understood for a long time. Perhaps we can take some small comfort that these betrayals by Americans of their country and their families had at least this positive benefit.

Mr. Chairman, Senator Durenberger has outlined the Intelligence committee's plans for reviewing United States counterintelligence and security capabilities, and he and I have submitted a long and detailed statement on this.

He has referred to our intention and desire to work closely with the executive branch in developing a program of administration reforms and legislative proposals to strengthen the Nation's defenses against espionage. These plans, as I said, are covered in more detail in our joint statement. There is much food for thought here, as you consider your own work in this area.

So instead of reiterating Senator Durenberger's points, let me focus on two aspects of how we address the espionage problem that could, if not properly handled, derail us in Congress and cause us to miss the present opportunity for action.

First is the willingness of the administration to work with Congress in seeking solutions. Senator Durenberger emphasized our desire for cooperation and consultation. I warmly endorse this. Throughout there has been bipartisan, in fact, I might say, nonpartisan, cooperation.

He also mentioned concerns I have over the amendment that I had the honor to introduce along with Senator Cohen to mandate equivalence in the size of the United States and Soviet diplomatic missions. The Leahy-Cohen amendment illustrates the problem of translating high-level administration support into genuine responsiveness by the bureaucracy—those who execute policy. It's one thing to have the senior members of the administration say they support a particular policy; it's another thing to get it into action.

It took the better part of 3 years for the idea of equivalence to finally become law, and then only over the determined resistance of much of the foreign affairs bureaurcracy.

President Reagan and his most senior advisers understood the need for the legislation Senator Cohen and I proposed. Indeed, they supported it. But as plans are being devised to implement numberical equivalence between the Soviet diplomatic presence in the United States and our diplomatic presence in the Soviet Union, we hear of guerrilla warfare being inside the administration to weaken its effect. It is not guerrilla warfare by the Soviets, but by our own State Department.

I understand efforts are being made in the foreign affairs establishment to define the scope of the law as narrowly as possible so it will have the least possible impact on the size of the Soviet diplomatic and consular presence in the United States. If so, that is going to frustrate the intention of the Congress and the policy level of the administration.

Mr. Chairman, I believe I also speak for Senator Cohen when I say the authors of that amendment intend it to lead to reductions in the numbes of Soviet diplomats and consular personnel in the United States as well as an increase in the numbers of Americans assigned to Moscow and Leningrad. I know you are going to hear from Judge Webster this morning. I can evision an FBI agent coming to him and saying, "The good news is, we have identified which of these Soviet diplomats are KGB agents. The bad news is that there are so many, we can't even tail them." I don't think that that is a situation this country should be placed in.

Similarly, last Friday Senator Cohen and I introduced a bill, S. 1773, to extend the principle of equivalence to the sizes of the Soviet and American missions to the United Nations in New York. The chairman of this subcommittee, Senator Roth, understands well the problem presented by the enormous Soviet presence in New York. Mr. Chairman, you offered an amendment restricting the travel of the so-called Soviet international civil servants employed by the U.N. Secretariat in New York.

In offering this new bill, Senator Cohen and I made clear our willingness to work closely with the executive branch in seeking a workable solution to the problem. In fact, in my statement on the floor, I said that we do not intend to call it up as an amendment to a pending bill this year because we want time for the appropriate committees to hold hearings on it. We want the administration to talk to us, and help us decide whether parts of the bill should be changed, improved or strengthened.

Given our experience with the earlier Leahy-Cohen amendment, and given the administration's slowness to resond to the invitation from the chairman and myself to cooperate with our effort, I am concerned.

I'm confident the President would support our measure if it were brought to his attention, and probably many of his senior advisers, as well, However, suspect that some in the bureaucracy will try to frustrate us in every possible way.

The other concern I have, as we prepare to deal with the espionage problem, is in the area of civil liberties. Senator Nunn also discussed this earlier this morning.

Most of us recall the way the administration sought to impose Draconian prepublication review requirements in NSDD-84 a couple of years ago. It also tried to mandate lie detector tests on everybody suspected of a leak to the press. That was a totally unworkable idea. It would have promptly discredited the use of the polygraph in those legitimate areas where we use it very well.

Unfortunately, the record of the House in this regard is not too good, either. Only with difficulty was the Senate able to deflect an attempt to require the polygraph of all 2½ million Defense Department employees in favor of a sensible test program. I compliment Senator Nunn for his work in the Armed Services Committee in achieving that outcome.

We must deal with the espionage threat. At the same time, we must not allow our concern to turn back 200 years of constitutional evolution in this country, or to damage democratic practices. To act otherwise would be to let a small handful of people accomplish all that our enemies in two World Wars were unable to do. We can protect our security, and we can protect the legitimate secrets of this country, without also trampling on the rights of Americans.

Both the Congress and the administration have to proceed carefully, and in close cooperation, and with restraint to ameliorate the espionage problem. We need to develop improvements that lessen the risks of espionage and betrayal.

We can do this, I am confident, if we work together in developing coordinated solutions. I am proud that the Intelligence Committee, as well as the Permanent Subcommittee on Investigations, is prepared to follow this responsible course.

If we can provide the necessary leadership, there is much less risk of the administration or individual Members of Congress giving way to the lure of headline grabbing actions which we may have to regret later on. So, Mr. Chairman, I thank you again for making this opportunity available to us. I join wholeheartedly in the statement of my distinguished colleague from Minnesota and stand ready to answer any questions.

Chairman ROTH. Thank you, gentlemen. First, I want to again congratulate both of you for your leadership, particularly in trying to provide a national strategy. I think that will only be accomplished if you continue to press that approach.

I was interested in your comments about the bureaucracy in the State Department and elsewhere with respect to some of the proposals. I can say that in the case of the so-called Roth amendment, where we attempted to put the Soviet employees at the United Nations under the Foreign Missions Act, we ran into great problems with the bureaucracy, despite the fact that the leadership of the administration was supportive.

So one of my first questions would be how well do you think the Office of Foreign Missions is doing? Are they able, to put it very frankly, to take on the rest of the State Department, or do they need some bolstering?

Senator DURENBERGER. Well, Mr. Chairman, I would say the Foreign Missions Office is doing very well, despite the fact that it faces opposition from other forums in the Department. The main reason for its success right now—and I think you will find this to be our experience with the other agencies as well—is its personnel and leadership. Its Director, Jim Nolan, understands counterintelligence because of his previous work in the FBI.

On key points such as setting up a better system to control Soviet travel, Nolan was able to get the support that he needed by going right to the top to Secretary Shultz. So the problems always come from other parts of the Department, but I think that the leadership that Jim is providing to the Office of Foreign Missions and the cooperation that the Secretary will give the process squeezes down the opposition considerably.

Senator LEAHY. I might say in that regard, Mr. Chairman, we are light years ahead with the Foreign Missions Office. I think the most important thing that we can do in committees like yours and ours is to give that office strong support. They understand the problem. They face some of the same bureaucratic fights we do, and I think it is incumbent upon us to give them all the support that we can.

Chairman ROTH. I made the point in my opening statement that it takes two to pass a secret, and from the human kind of intelligence, that is true. I think you made the statement in your lengthier explanation or testimony that there are something like 2,500 Soviets in this country who are possible agents for the transmission of intelligence. It seems to me that it is perfectly clear that if we are going to control the transmission of intelligence, one of the best opportunities we have is with that 2,500.

Now, that is a lot of people, but it is few when you look at how many are cleared on the American side. What is it we have, 2 or 3 million people, as I recall the hearings on security clearances, that are cleared.

So that is almost an impossible job. It seems to me that as part of our strategy, we have to concentrate on this 2,500, whether that is off a thousand or not. I suppose nobody really knows, but it is a much more manageable number.

We have, of course, concentrated a great deal on the diplomats; more recently on the United Nations employees that are from the Soviet Union. I wonder if you would care to comment on these other areas of potential risk, the trade missions, the cultural exchange students, corporations that have become a center of domination.

How can we control these activities? It is not quite as simple, I suppose, as diplomats and those who work for international organizations.

Senator DURENBERGER. Mr. Chairman, it is first a matter of recognizing where the problem comes from in some of those areas. I pointed out in my statement that even people who don't come here as trained agents are so easily co-opted to cooperate with the agents that are here, and I think, in large part, that even people from the Soviet Union or East bloc countries who may come here with some specific kind of a trade, scientific, or other responsibility are pressed into service with regard to their neighbors, their business contacts and so forth.

There is no easy way to change that kind of activity other than, for example, the legislation that I talked about to cover affiliates of Communist governments, going at it from the direction of looking at these foreign controlled corporations such as the Polish firm Polamco.

I would expect that the FBI Director, when he gets to testify, might have some even better observations, and part of the problem on the numbers is that to the degree that the numbers expand, the counterintelligence commitment needs to expand just to keep up with it.

The value in restricting the numbers is to also get more out of the counterintelligence resources that we have to put in place.

Senator LEAHY. Mr. Chairman, I might wonder if I might add also to that. We are also going to have Soviet trade commissions, cultural commissions, and educational commissions, and I think we should. I think it is important that the two most significant military powers the world should have that kind of interplay. There is tourism that goes back and forth. Throughout all that, there will be Soviets who are involved in such missions and who will move about when they come to this country.

But I'm far more concerned about those Soviets who are here with permanent diplomatic status. If you want to be involved in espionage, it's a lot easier to take chances when you have diplomatic status, because you know if you're caught, you can go back to Moscow. Nothing can be done to you.

The diplomats are the ones that stay here the longest and make the most connections. And that is where there is this enormous disparity in numbers. They have so many more diplomats in this country than we have in the Soviet Union. That's where we ought to at least put the United States on the level playing field by cutting down that permanent number. There is no diplomatic necessity for them to have such an advantage.

The only reason for it is because so many of those who have that diplomatic cover are engaged in espionage.

Chairman ROTH. I think you make a very valid point. Those that are here permanently offer a much greater risk or greater exposure. One of the questions, and I won't ask you at this stage, but I will ask the head of the FBI and others later, is the question of students who are here for some time. How much of a risk is there with these groups?

Obviously, in an open society, we want to have these exchanges for the reasons you spell out. At the same time, I do think it is an area we ought to be examining to see what the exposure is.

Thank you, gentlemen. I will call on Senator Nunn.

Senator NUNN. Thank you, Mr. Chairman. I also want to congratulate Senator Durenberger and Senator Leahy for their leadership in this country and for their work that goes often unnoticed in the Intelligence Committee, but work which is enormously important.

I would like to ask both of you what you mean by counterintelligence strategy. Who would head that kind of strategy? What is it that we don't have in place today that you would advocate?

Senator DURENBERGER. Let me begin with that, Sam. Counterintelligence work currently is divided through a variety of agencies.

The FBI does it; the CIA does it; DOD does it; other military services do it; the State Department does it. And the value of a national strategy would be to get all the horses pulling the same direction, plowing the same field; you have got to make sure they all understand what field they're supposed to be in and what direction they are supposed to be going. I know I am preaching to the converted here, having read your paper on what we ought to do in the Defense Department.

In large part, what the strategy does is add a value system to what each of these particular agencies may be doing in counterintelligence in their particular entity. A national strategy would help the agencies look beyond their day-to-day activities to see where they fit in the larger spectrum.

To use an example, they should be looking at analyzing the effects of new controls they put in place on the hostile intelligence presence, in order to gauge how the Soviets will try to counteract our efforts and how we should combat them, say, 5 years down the road. This would be a way of integrating those who have domestic responsibility with those who have foreign responsibility.

So I think that is, to me, at least a large value of the strategy.

Senator NUNN. Could I direct this to Senator Leahy, or either of you, really? Who would run it? If you had such a strategy, would somebody be in charge of it? Would one agency be the lead agency? Do we have a lead agency now? Do we have an umbrella?

Senator LEAHY. There is a small interagency staff of people from the FBI and the CIA and the DOD—the Community Counterintelligence Staff. They probably provide a nucleus for it. I suspect that something like this would eventually come under the DCI or maybe the NSC.

I concur with exactly what Dave said earlier: The first concern is getting agreement to have such a strategy and such coordination. Then, I think implementation becomes almost a mechanical thing. The framework is already there and can be worked out.

Senator NUNN. I am reading here ahead of the testimony. We will have Mr. Perle, the Assistant Secretary of Defense, appearing. One of the things he says is what I have felt for sometime but he makes it conclusive, and it raises another question. He says, on page 2 of his testimony:

> In terms of acquiring American technology, heading this effort is the Director of the Soviet Military Commission, the VPK. That commission is the most powerful military-industrial body in the Soviet Union and is made up of the directors of the key defense manufacturing industries. The VPK tells the KGB and its military counterpart, the GRU, what its industries need from the West to make Soviet weapons better.

I think we have a profound dilemma with our open society, the free transfer of technology. Every scientist I talk to in or out of the Government tells me that the free flow is what gives us the advantage and if you ever stop that flow between the scientific community in this country you are going to stop the progress or at least greatly impede the progress of American technology.

So the key, as I see it here, is to try to devise a counterintelligence strategy that continues our strength and yet plugs up the holes as nearly as we can without diminishing that kind of transfer between scientific minds.

That is absolutely imperative and that doesn't take place in the Soviet Union. That is why I think that in a closed society they will never catch up to our technology. They will exploit ours. We have to ask ourselves: Why are they stealing that technology? The reason is that they don't develop it themselves as quickly or as well as we do, although they are good at exploiting it.

It occurs to me that one of the things we need most of all, if we are going to strike this balance, is some group of people. I don't know whether it is the National Science Board; whether it is the laboratories, Los Alamos or Sandia or others, whether it is somebody in an agency; but some group of people that do reverse engineering. In effect, a group who will try to project what technologies the Soviets most need. We should determine the critical technology they need rather than try to protect everything.

I am convinced if we try to protect everything, we protect nothing. I think we have to convey to the businesses of this country what it is we want them to protect, because so much of the information now is dual use and is not even classified. But we have so many new innovations coming from small business.

Do either of you have any ideas on this score? Is there a group we can designate that would be responsible for telling our various intelligence agencies: Here are the priority items. As scientists, as technicians, we believe these are the areas that we should give the highest priority or protection to.

Do you have any thoughts on that?

Senator **Durenberger**. I have a thought, Sam, and I think probably it is going to come out as jointly, here, you and your activities and we in the committee work on a long-term intelligence strategy. I find it fascinating, as we try to look ahead 5 or 10 or 15 years, that all of this looking ahead is being done in independent research and development, which is a component, as you all know, of a lot of the R&D commitment that we make to major contracts.

Out there are a lot of electronic and other engineering geniuses who know that if we take this advance over the next 5 years in technology to gather information or to counter a particular step the Soviet Union has made, the Soviets will then react in such a predictable fashion; as engineers, they know that. And so the next 5-year period of time is when we ought to be looking at as this kind of a, say, an information collection system.

As I listen to these people come and testify in the Intelligence Committee about where we are going technologically, I know that they already know the answers to the questions that you are posing.

It's just that we aren't listening with the right set of ears. By we, I mean in the larger sense; people who are responsible for a counterespionage or counterintelligence strategy are not listening to our own people tell us what we are going to need 5 or 10 years from now to counter what they can predict as scientists. The Soviets will come up with it. I don't know whether we need a committee to do that, because the information is already there.

Senator **Nunn**. It may be, because there is a great deal of difference between the training in a scientific community and an agent with the FBI, the CIA, or the Customs Bureau. These people are law enforcement people. They aren't scientists. Unless there is some real sense of priorities coming from the scientific community, that is connected to the law enforcement function, then it seems to me we are missing the boat.

Senator DURENBERGER. It is a matter of putting the plug in the right socket; the plug is there, the socket is there, the power is there.

Senator NUNN. I'm talking about developing the technology. This is what causes industry the most pain: They say if we absolutely knew from the Government what it is they wanted to give the highest priority, we could do a better job. If one government says, protect everything and we know a lot of it is being sold all over the world in other markets, it diminishes our confidence in Government and its ability to protect it. I think going all out in business on a voluntary basis, along with punitive actions for those who deliberately breach the law is absolutely essential.

Senator Leahy?

Senator LEAHY. There is a corollary to this: Justice Stewart said, "If everything is classified, nothing is classified."

If all technology is off limits, nothing is off limits, which is what you and many businessmen say. It has been my impression that most of the businesses in this country, certainly those who deal with this, are perfectly willing to cooperate. They are loyal Americans. They don't want to give something away. I think we just have to be able to give them a far better list of what is allowed and what is not.

[At this point, Senator Glenn entered the hearing room.]

Senator LEAHY. I think they will work out the ways to do it.

I am perfectly willing to risk having some things go into the public domain in order to have the kind of exchange of information we need among our scientists to keep our technology as advanced as it is. That doesn't bother me. I think the problem comes when specific kinds of technological information get out, mainly because nobody has spelled which are the really important things that should be kept out of the public domain.

As I said, I think business will cooperate with us on that. I would just recount very briefly one thing: The last meeting that Yuri Andropov had with anybody from the West, in fact, the last public meeting he had of any sort, was with a group of U.S. Senators. I was in that group.

I recall very well what he said about an arms race. He said: Whatever kind of weapons you come up with, if you demonstrate that they are feasible, either we will develop them or if we can't develop them, we will steal them from you. It wasn't that we might steal them from you; it was we will steal them from you. He was absolutely sure that that could be done.

I think that that is what we have to stop.

Chairman ROTH. Thank you, Senator Nunn.

Before I turn the questioning over to Senator Cohen, I would just like to publicly congratulate him for the leadership role he has been playing in this area. Certainly, much of the legislation that he cosponsored with you, Senator Leahy, has been very relevant to the problem today.

Senator Cohen?

Senator COHEN. Thank you very much, Mr. Chairman.

I would make a few comments. I think what both our colleagues, Dave Durenberger and Pat Leahy, have suggested is that we have a very, very serious attitude problem in this country, and particularly within this administration. There seems to be some sort of a philosophical schizophrenia that has afflicted us, and I would include the administration within that definition—they either see a different threat or they see a threat differently.

But to put it back on the disparity that currently exists in our systems, I don't know that many American people are aware that there are more Soviet nationals working in the American embassy in Moscow than there are Americans working in our embassy in Moscow. There are roughly 200 Soviet nationals who work either as secretaries, as mechanics, as all sorts of functionaries in our embassy in Moscow. In my judgment, that has contributed directly to the undermining of our security in that embassy in Moscow, with respect to the typewriter scandal that has been exposed and since passed from the notice of the American people and on and on.

There are roughly another 40 Soviet nationals working in our consulate in Leningrad, so there are about 240 Soviets working in our operations inside of the Soviet Union. This compares to maybe less than a handful of Americans allowed to teach the Soviets English here in their embassy in the United States.

That was one of the disparities we tried to deal with. One of the reasons given for that is it costs more money to have Americans employed in Moscow. Apparently, the Soviets do not recognize the Davis-Bacon Act, and that is one of the justifications that we use for not employing more American citizens.

Second, the argument is made that if we put Americans in Moscow, they are more likely to be co-opted and turned into Soviet moles, another great justification for having known moles in our operations in Moscow.

Third, the justification is that we would not be able to function effectively. Now, the Chinese, to my knowledge, have never allowed the Soviet nationals to work in their embassy, and they still manage to get tickets to the Bolshoi. These are some of the arguments that are made, and I think they are thoroughly discredited. Yet there is still a reluctance on the part of the administration to implement the Leahy-Cohen measure.

Judge Webster, in a speech at Notre Dame said, with respect to this country, "We cannot, with the resources that have been given to us, continue to deal with the foreign hostile presence in the country without doing one of two things: Increasing the resources or reducing the presence." He went on to say, "I happen to favor reducing the presence."

Again, very little has been done in the way of reducing that presence to date, even though I believe under the Foreign Missions Act, they already have the authority to do so. They don't need additional legislation.

We have advice given by Liechenko. He said the most practical means of disrupting KGB operations in America is to require parity in the number of Soviet diplomats in the United States and American diplomats in the Soviet Union and to limit drastically the size and operations of the huge Soviet mission at the United Nations.

What has been done? I saw in a recent declaration that our Ambassador to the United Nations, Ambassador Walters, who is a very capable and extremely competent professional, announced that we were restricting the U.N. Secretariat personnel from the Soviet Union, Cuba, Vietnam, Afghanistan, Iran, and Libya.

I welcome those restrictions. I have a publication that has been submitted to the committee which was put out, I believe, under the auspices of Mr. Perle's office. In this particular document—I don't know who is reading it—it says.

> Analysis of hostile intelligence activities indicate that in recent years, the surrogates among the East European intelligence services has been possibly even more successful than the Soviet intelligence against priority defense technology of the United States, East European services have had considerable success because they're generally perceived as a lesser threat than the Soviets. They often may not be perceived as operating in a surrogate role, and they have more flexibility in travelling throughout the United States.

There is not one East European country on the list announced by Ambassador Walters in terms of restricting their presence and movement.

Now, we are putting out one booklet that says: Look out. It's not only the Soviets, but it's also the East European nations. But nobody seems to be listening. So I don't know. We can pass all the legislation that we want to, and I am voicing only my own frustration with this, but if there is not the will to implement it, then it's not going to be done.

The fact is, Senator Nunn asked Senate Durenberger who is going to head this new counterintelligence strategy. How about the President? Who is in charge here, after all? Who is in charge of our intelligence strategy if it is not the President of the United States? We have the Defense Department saying we have got a threat; but we have the State Department saying we can't really do anything about it. If we are unwilling to take the measures recommended, then something is drastically wrong with the administration policy.

So I will continue to work with my colleagues on the Intelligence Committee and in committee, Mr. chairman, but it seems to me there is a real split in thinking about the nature of the threat and how to cope with it. Unless that is revolved, there will be no real action taken to reduce the kind of intelligence activities against this country. That is the end of my question. [Laughter.]

Senator LEAHY. Yes. [Laughter.]

Chairman ROTH. Senator Glenn.

Senator GLENN. Thank you, Mr. Chairman. I did have an opening statement. I would just like to enter it in the record, if I may, please.

Chairman ROTH. Without objection.

[Senator Glenn's opening statement follows:]

OPENING STATEMENT OF SENATOR GLENN

Mr. Chariman, I wish to express my thanks for the extensive work you have been doing in regards to the questions before this Subcommittee this morning. You deserve to be commended for bringing to light, along with Senator Nunn, the problems which the U.S. faces in its battle for security of our nation.

This hearing is predicated on findings of previous PSI hearings regarding U.S. government personnel secruity clearances, as well as hearings held in 1982 and 1984 dealing with the questions of technology transfer to the Soviet Union through espionage and other illicit activities. One commonality became apparent in all of these past hearings—that Western products and technology secrets are being systematically acquired by an intricately organized, highly effective collection program specifically targeted to improve Soviet military weapon systems. According to a paper on this subject entitled, "Soviet Acquisition of Militarily Significant Western Technolgy: An Update", targets are defense contractors, manufacturers, foreign trading firms, academic institutions, and electronic data bases.

The Soviet mission is made easier in light of the facts that over four million Americans have access to classified information and data, current OPM and FBI clearing practices are deficient, and there are not sufficient resources within these agencies to monitor the movements of Soviet and Bloc country citizens throughout the U.S.

This hearing will investigate appropriate means for stemming the tide of espionage through use of the Foreign Missions Act. As a co-sponsor of this Act in 1982, I am particularly interested in whatever information these witnesses can provide, and look forward to the future hearings which will address this issue as well.

I would like to welcome Senators Leahy and Durenberger to this hearing and am looking forward to learning from them, as experts in the field of intelligence, what their recommendations might be regarding this question. Again, I commend Senator Roth for his leadership and pledge my cooperation with the Subcommittee's efforts.

Senator GLENN. I am sorry I couldn't be here at the opening of this. I had another committee meeting this morning.

I am concerned about how we in this country can take care of where the most crucial new types of research is being done. It is very difficult when we have some 4 million people cleared for different levels of classification and so on, and how we do this.

I guess I was impressed this past summer when I made a 10-day trip around the country looking at the Star Wars technology, visited our best scientists, our best labs working in lasers and directed energy weapons, the particle beam projection, microwave projections and so on, and I was very impressed with how security measures taken in discussions at the lab, and I think the labs are very good in the area of security.

But as far as preventing any of their basic research material from getting out, I don't know whether we have a gap there or not. The reason I am so concerned about it is, we are working on the whole Star Wars concept, the whole SDI concept, and this is the highest technology that is going on anywhere in this world.

The majority of that research is being conducted at our National Labs. I wonder if we shouldn't have special groups at those labs to deal with the most sensitive of this information, running a continual screening process to make very, very certain that we aren't letting something get out.

What I am saying is we can't monitor 4 million cleared Americans. We are in a period where there are a lot more clearances than necessary. There are certainly not 4 million necessary, we can't monitor that many.

So another approach is to say, OK, we have some very, very sensitive information coming through certain choke points back here at the National Labs and a few other selected points. It seems to me that if we are going to stay ahead in this particular area, we better, right now at the infancy of this whole program, be taking measures to make absolutely certain that we don't have too many people involved in that kind of information availability.

I haven't thought this through enough to know what I would suggest, other than saying each National Lab set up a board of its own of some kind. I don't know whether you agree with that. That doesn't take care of the whole intelligence problem, obviously, but it certainly solves some of our most sensitive intelligence that we are developing in our National Labs with our own scientists.

The Soviets are undoubtedly going to try to get that kind of information flow out of the labs.

Senator DURENBERGER. I don't think we have an answer to it. I will be very brief, but before you came in, I think Sam was on that same track with a similar kind of a question, and in effect, I take it as a challenge to us as part of our process of reviewing the classification side, as opposed to an issue that can be handled simply in a counterintelligence strategy. I don't have an answer now, but I think both of you have have hit on a——

Senator NUNN. We are on the same wavelength. I referred to Mr. Perle's statement about the Soviets having what they call VPK that targets our intelligence. They are scientists; they are not spies. They are scientists that tell the spies what to go out there and get. The spies usually aren't scientists. They are people who are taking direction from someone else.

Our law enforcement people aren't scientists and we shouldn't expect them to be. But they are chasing everything down. I don't think there is any centralized direction, from a scientific point of view, as to what is the most sensitive. I want to get into that with Mr. Perle.

But one idea along such lines, Senator Glenn, that you are talking about, was suggested 2 years ago here by Dr. Lara Baker from Los Alamos. He recommended establishing a center like Los Alamos. This center would perform reverse engineering using a group of scientific people who would look at sensitive technology, have a connection to the law enforcement activities, and explain to them and the business community as to what are our high priority items and so we can really bear down on those.

We couldn't coincide exactly with what the VPK would come up with, but I bet we could come pretty darn close in having a protective list that would coincide with what the Soviets have in terms of a target list. We have got to have that connection between scientists and law enforcement people to be able to do that. I think that is the challenge for us, whether it is Los Alamos or the National Science Board or some other agency. I think our challenge is to try to be able to do that.

Senator GLENN. Maybe someone is already doing some of this, I don't know. What we need is a red team, like we do in the military, where a red team acts as though they are Soviets and they do their thing and come up with the tactics, and then we the U.S. team, play against that and the two play war games. Maybe we need the scientific red team which is saying: If I was a Soviet and I was sitting in the U.S.S.R. wanting to get American information, what would I go after? What would give me the most advantage if I got into this?

Senator NUNN. That is exactly what we need.

Senator GLENN. We need a scientific red team if one is not already in place in the Defense Department and in the scientific community and in the National Lab set-up. I don't know who should direct such a team, but somebody should point out that, if we do make a breakthrough, for instance in the laser, the particle beam, or the other things that are being looked at now, which would give the Soviets the greatest advantage? And then we could take special precautions to make sure that those particular areas are as well protected as we possibly can protect them.

Maybe someone is already doing some of that, I don't know. If they are not, we certainly ought to make sure that they are.

Senator NUNN. Theoretically, that is what our classification is suposed to be, but when you see the scope of it and the breadth of it, it is not that. It is so broad it can't possibly boil it down.

Senator GLENN. I am talking about getting a choke point someplace to the most sensitive stuff. We can't guard against 4 million potential leaks.

Senator NUNN. I am agreeing with you completely. That is exactly what we need.

Senator GLENN. Is anyone addressing this problem? We are opening up a lot of trade now with China. Would this legislation apply to China, and would it apply to all nations? Are you, in your efforts, both of you on the Intelligence Committee, as we open up new relations with China? We want to make certain that there aren't leaks through that area also. Would you care to comment on that?

Senator DURENBERGER. I would like to comment on it in the general sense that if we are going to go through this effort, every country becomes a candidate rather than specifically China or any other country. As we look at counterespionage, it is appropriate not to concentrate on just one particular presumed hot point today, but to look at it in a larger context.

So I guess the answer to your question would be yes.

Senator LEAHY. I include the PRC in my opening statement. I have pretty much in my own mind kind of a sliding scale of where the threat is, but that is really not something for an open meeting.

Senator GLENN. I was concerned about it, and I have introduced legislation that is in the Foreign Relations Committee right now which tightens up the nuclear agreement with China, and I think that Senator Durenberger is familiar with it and is supporting that. I welcome that support.

I am concerned that the agreement is very ambiguous, very vague, and that Chinese commitments on nuclear proliferation are not written down in any memorandum of understanding. All we have is our recollection is of what occurred at these things, and we are saying, "OK that's good enough."

Well, that is not good enough. We got ourselves in trouble with India years ago with some of these very vague, ambiguous statements, and I don't want to see that kind of thing happen again. I don't want to see us getting into a situation where our technology and our equipment is going to be sent to China—and I am not trying to hold up that agreement—I just want to make sure that it is all understood.

We want to make sure that our equipment and our technology transferred to China is not used by third parties, that we have control over it, we have nonambiguous consent rights in the way the thing is stated. So we are just trying to iron out the troubles so they don't come back to haunt the United States and China on down the road. I think it is in China's interest to have that kind of understanding, also. I am glad we proposed legislation that is across the board.

How many American employees are at the Soviet Embassy here?

Senator Leahy. Ten, a dozen.

Senator Cohen. How many Americans?

Senator Glenn. I am thinking of reciprocity.

Senator Cohen. How many Americans working here at the Soviet Embassy?

Senator Glenn. Yes.

Senator Cohen. Probably a dozen, six to eight from time to time.

Senator Leahy. There are less than a dozen as compared to around 200 Soviet employees in our Embassy in Moscow.

Senator Durenberger. 240.

Senator Cohen. 240.

Senator Leahy. In Moscow and in Leningrad, about 240 Soviets work for the American Embassy and Consulate. We are told that one of the reasons is that there are no telephone books in Moscow, and we need Soviets to place calls for us. My response is to that is we would get those calls placed easily enough if we just refused to return calls from the equivalent agencies over here.

It is amazing what insisting on reciprocity can do. I am concerned when you see a low echelon employee, a cleaning person or a basic functionary working in our Embassy in Moscow who is entitled to be saluted when they go home at night. Why don't we open the doors and say, "Come on in; walk in. We will make it easier for you. Why don't you borrow our Xerox machine while you are at it?"

Senator Glenn. My time is up, but are any United States employees at the Soviet embassy in any position of importance? Are they all language instructors or teachers or whatever it is they are over here?

Senator Cohen. Mostly language instructors.

Senator Glenn. Language, there are no secretaries or people involved in the day-in and day-out activities.

Senator Leahy. No.

Senator Glenn. Thank you, Mr. Chairman.

Chairman Roth. Thank you, Senator Glenn.

Gentlemen, we appreciate your being here. We look forward to continued cooperation.

Senator Durenberger. Thank you very much.

[The joint statement of Senators Durenberger and Leahy follows:]

STATEMENT OF

SENATOR DAVE DURENBERGER, CHAIRMAN
SENATOR PATRICK LEAHY, VICE CHAIRMAN

SELECT COMMITTEE ON INTELLIGENCE
UNITED STATES SENATE

We appreciate the opportunity to testify before the Permanent Subcommittee on Investigations with regard to the hostile intelligence services threat and the actions required to counter that threat. The Subcommittee has done outstanding work on security issues. The hearings in 1982 on Soviet efforts to acquire American technology helped make the public and the Congress aware of the seriousness of the problem. The hearings on personnel security last spring demonstrated the need for major improvements in security clearance policies. The Select Committee on Intelligence is committed to following up on the recommendations that emerged from those hearings.

We are especially pleased that today's hearing will focus on ways to control the numbers and activities of Soviet and other foreign representatives who conduct espionage and related activities in the United States. The Soviet bloc presence goes far beyond their diplomats in Washington and amounts to some 2,500 positions in embassies, U.N. Missions, the U.N. Secretariat, trade and commercial operations and other offices. Much more must be done to counter the intelligence threat posed by these potential and actual intelligence agents.

Several cases show why the problem goes beyond just Soviet diplomats. In 1983, an employee of the Bulgarian trade office in New York -- a man named Kostadinov -- was arrested for espionage based on evidence that he bought a secret document on security procedures for American nuclear weapons. Kostadinov had been working in the trade office without diplomatic immunity since 1979. A second case involved an American businessman, James Harper, who sold documents from a defense contractor's office on Minuteman missile secrets to Polish intelligence. The key figure who introduced Harper to the Poles was another California businessman, William B. Hugle, whose firm had received large payments from the Polish electronics firm Unitra. The use of commercial cover and business dealings for espionage purposes is documented in other cases, including the Bell case where an employee of a defense contractor was recruited as a spy by an official of the Polish firm Polamco.

FBI Director Webster has said that the cases like Bell and Harper which come to public attention "are merely the tip of the iceberg." The counterintelligence information provided to the Select Committee confirms Judge Webster's statement.

Although the Intelligence Committee does most of its work in closed hearings, we believe it is vital for the entire Senate and the public to be aware of the full dimensions of the espionage problem. For one thing, there is quite a bit that the average citizen can do to strengthen the nation's defenses, especially if the individual works for the federal government, a government contractor, or a high-tech industry or research program. The public also needs to know what we in government are doing about foreign espionage and whether we should be doing something more. For that reason, we plan to make a public report to the Senate at the end of the Select Committee's review of U.S. counterintelligence and security programs.

The subject of today's hearing is a significant element in the comprehensive review of U.S. counterintelligence and secruity programs that the Select Committee is conducting. This open hearing is therefore a good place to give your Subcommittee and the entire Senate a preliminary report on the Select Committee's work. Our report explains the context and importance of some specific recommendations we want to offer, based on the Select Committee's review of the hostile intelligence threat and U.S. countermeasures over the past several years.

From its inception, the Select Committee has given high priority to counterintelligence concerns. Two of the Committee's first legislative proposals -- the Foreign Intelligence Surveillance Act of 1978 and the Classified Information Procedures Act of 1980 -- have been a significant help to U.S. counterintelligence. Starting with FY 1979, the Intelligence Committee has reviewed the U.S. counterintelligence budget as a whole and taken the lead to increase money and manpower for counterintelligence in the FBI, the CIA, and the Defense Department. The Committee has also looked at the damage done by major espionage cases, some of the deficiencies in personnel and communications security, the value of techniques such as the polygraph, and measures to improve counterintelligence operations and analysis.

At the beginning of the 99th Congress, we decided that one of the Committee's most important tasks under our leadership should be to make an independent assessment of the counterintelligence and security requirements for dealing with Soviet espionage and other hostile intelligence threats. Although we made this decision before the Walker case, it was already clear that espionage arrests were on the increase and that hostile intelligence operations posed a growing problem for national security.

Thus far this year, the Intelligence Committee has held at least seven closed sessions on counterintelligence and security matters. We have considered CI program and budget requirements for FY 1986, the need for greater control over the numbers and activities of hostile intelligence officers in this country, the security situation at the U.S. Embassy in Moscow, the damage done by the Walker espionage network, the requirements for a $35 million supplemental appropriation for security countermeasures at U.S. facilities abroad, and a comprehensive survey by senior FBI and CIA officials of the full extent of the hostile intelligence threat. Most recently, the Committee has had several briefings on the Howard case. We are reviewing the personnel, security, and management procedures associated with this case and other ramifications of the defection of senior KGB official Vitaly Yurchenko, who served in the Soviet Embassy here in 1975-80.

1. The Espionage Problem

The hostile intelligence threat has many facets, and not all of them surface in espionage prosecutions. It is important to consider all the dimensions in developing a national strategy to deal with that threat.

a. The Human Dimension

The Howard and Walker cases are the latest in a series of major espionage cases that show how vulnerable U.S. national security secrets are to foreign espionage. The expulsion of scores of Soviet agents from France and Britain, the penetrations of the West German Government, and other espionage cases in Norway and Greece indicate the worldwide success of Soviet intelligence operations. As documented in the recent interagency report on Soviet Acquisition of Militarily Significant Western Technology, the Soviets devote massive resources to systematic efforts to penetrate Western governments and high-tech industry.

The Soviets also use other East European intelligence services as surrogates, because they have access to places where Soviets cannot go. The Bell and Harper cases illustrated the effectivenesss of Polish intelligence in penetrating U.S. defense industries. In the Harper case, top Soviet intelligence officials came to Warsaw to get the information on U.S. missile defense systems. East German agents arrested in the United States over the past two years include a woman courier in an espionage network and a prominent scientist attempting to recruit American scientists.

At a closed hearing last July, the FBI told the Select Committee that the espionage cases of the last two years have involved billions of dollars of actual and potential damage to U.S. military programs. The problem is compounded by the vast number of Chinese officials and visitors in the U.S. While U.S.-PRC relations are good, there is clear evidence of clandestine intelligence operations by the Chinese in the United States. These activities greatly increase the burden on the FBI's counterintelligence resources.

An Intelligence Community study summarizes the human threat in the following terms:

> Despite the development of increasingly sophisticated technical means of intelligence collection, the human agent continues to be the most important key to satisfying a nation's intelligence needs. The Communist countries depend to a large degree on their human collection networks throughout the world to satisfy their U.S.-related intelligence requirements -- requirements ranging from acquisition of advanced technology, location and determination of the quality of strategic and conventional military forces, and assessment of U.S. reaction to international political incidents, to discovery of techniques used by U.S. counterintelligence. A major, highly structured effort is dedicated to the acquisition of U.S. cryptographic information and materials that would allow the exploitation of secure U.S. communications. Success in this area can fulfill many of the requirements mentioned above.

b. The Technical Threat

Electronic espionage is as serious as the human variety. The Soviets listen to our telecommunications from their diplomatic establishments, from ships off our shores, and from a sophisticated monitoring site at Lourdes, Cuba, that can intercept our domestic and international satellite communications channels. While the most sensitive data are encrypted, the Soviets can exploit uncoded communications that deal with sensitive military, scientific, and economic developments. If communications security is lax, they can also get classified data. In 1978, a Soviet diplomat defected to the United States and said that telephone and telex calls were monitored at the Soviet recreational facility in Glen Cove, New York, which required the shipment of tons of material to Moscow annually. Satellite communications are potentially an extremely valuable source of information as they can simultaneously transmit thousands of telephone, T.V., and computer-to-computer transactions. The explosion in computer networks and the electronic transfer of data adds another major area for Soviet exploitation.

Computers and office equipment are also vulnerable to the most sophisticated electronic penetration and eavesdropping techniques. The reported discovery of bugged typewriters at our Moscow Embassy illustrates the Soviets' impressive technical surveillance capabilities. Part of the problem is physical security, because the Soviets should never have gotten access to Moscow Embassy equipment.

Technical and human threats are inextricably linked. When foreign nationals employed at our embassies abroad can get access to sensitive offices or equipment, the chances for bugging greatly increase. At the same time, foreign nationals working in our embassies can assess the weaknesses of American employees on behalf of hostile intelligence services for possible recruitment. Here in this country, the human vulnerabilities that produce a Howard, a Walker, a Harper, or a Bell can given the Soviets not only specific facts and documents, but also codes and access to computer data systems that multiply the damage enormously.

c. Seeking A Balanced Response

The Select Committee is seeking to identify, in concert with the Executive branch, those actions that can be taken to improve U.S. counterintelligence and security protections without departing from our nation's basic principles.

In espionage, as in terrorism, there is a risk of overreaction that sacrifices individual rights and the rule of law for the sake of security.

Protection of national security secrets is not easy in a free society. Total preoccupation with security -- to the exclusion of other values -- would undermine the constitutional principles that America stands for throughout the world. If we seek to copy the secret police methods of our adversaries, they will have won a great victory. If, however, we show that the United States can protect its security without sacrificing fundamental freedoms, the essential superiority of an open society will be vindicated.

As President Reagan said in a nationwide radio address on June 29, 1985:

> "[W]e can counter this hostile threat and still remain true to our values. We don't need to fight repression by becoming repressive ourselves.... But we need to put our cleverness and determination to work and we need to deal severely with those who betray our country. We should begin by realizing that spying is a fact of life and that all of us need to be better informed about the unchanging realities of the Soviet system.... There is no quick fix to this problem. Without hysteria or finger pointing, let us move calmly and deliberately together to protect freedom."

Some proposals offered in the name of security may even be counterproductive. Closing down channels for the open exchange of unclassified basic scientific research could do immense damage to the system of free scientific inquiry that keeps America so far ahead of the Soviets. The recent interagency report on Soviet acquisition of Western technology warned that restricting access to unclassified scientific data "may also inhibit the United States' own national research effort." Similarly, rapid expansion of the use of lie detector tests without the most careful quality controls and training for polygraph examiners not only could harm employee morale by treating individuals unfairly, but also could create a false sense of security and prevent other steps necessary to ensure the reliability of people in sensitive jobs.

2. Select Committee Study

On June 11, 1985, the Select Committee announced that it would conduct a comprehensive review of the Soviet intelligence threat and U.S. counterintelligence and security programs, including an examination of the implications for national security of the Walker espionage case. From the outset, our guiding principle has been to cooperate with the Executive branch in this effort. We have worked closely with the National Security Council staff and the relevant agencies and departments, and we expect that the President will shortly select a senior official to represent the

Administration at a series of closed hearings on all aspects of counterintelligence and security. The objective is to reach agreement with the Administration on a common agenda for immediate actions and long-range decisions.

The closed hearings we have scheduled for this fall are planned to provide an overview of Administration actions on counterintelligence and security, including recent decisions and topics under review. We expect to take a close look at technical counterintelligence and security, at the long-range plans and requirements for counterespionage into the 1990s, at personnel and information security policies, and at the relationships between counterespionage and foreign policy. Much of our attention is focused on the adoption and implementation of recommendations that have already been made by other bodies, including the proposals made on June 6, 1985, by the Chairman and Ranking Minority Member of the Permanent Subcommittee on Investigations after hearings on security clearance programs last spring.

In preparation for our hearings, the Committee staff has conducted over fifty interviews with government officials and outside experts across the full spectrum of intelligence, military, diplomatic, industrial, and security fields. The staff has also pulled together the record of legislative and administrative actions in recent years.

Most important of all, the Committee is compiling the results of a series of important studies of counterintelligence and security matters that have been conducted within the Executive branch. We also await the completion of two significant studies that are currently underway. The first is the report of the DoD Security Review Commission, chaired by General Richard G. Stilwell, the former Deputy Under Secretary of Defense for Policy. The Stilwell Commission has been charged with the task of identifying any "systematic vulnerabilities or weaknesses" brought to light as a result of the Walker case and making recommendations for changes to correct those deficiencies. The second study will come from an interagency task force headed by the Director of the Information Security Oversight Office, Steven Garfinkel, which is developing recommendations for a systematic attack on the problems of overclassification and overdistribution of sensitive information.

Based on these and previous Executive branch studies, the Select Committee's own closed hearings, and our ongoing dialogue with Administration officials, we hope to reach agreement on specific administrative and legislative actions that will have the joint support of the President and the Select Committee.

The Select Committee is also reviewing its own security procedures and those of the Senate as a whole. In July, the Committee offered its services to other Senate offices as a focal point for security briefings and advice. The Committee has implemented new security measures internally and will work with the Sergeant at Arms and other appropriate officials to improve security for all of us in the Senate.

3. Administrative and Congressional Initiatives

We need to identify what has already been accomplished in order to decide what more needs to be done. Concern about Soviet espionage and the need to improve U.S. countermeasures is not new, even though greater public attention has focused on the problem this year. Recent Administration initiatives have included:

-- Establishment of a policy review structure under the National Security Council for counterintelligence requirements and a small Community Counterintelligence Staff drawn from the FBI, CIA, and DoD to prepare national assessments of the hostile intelligence services threat and U.S. countermeasures.

-- The Foreign Missions Act of 1982, which created a new Office of Foreign Missions in the State Department to exercise greater control over the activities of foreign officials in this country. Under the able leadership of its Director, former FBI counterintelligence official James E. Nolan, the Foreign Missions Office has used this authority to enhance U.S. security within the framework of diplomatic reciprocity.

- NSDD-145 on telecommunications and automated information systems security, issued by the President in 1984 to promote the development of coherent, long-range plans for improving U.S. communications and computer security.

- Defense Department actions this year to reduce the number of security clearances, to enforce need-to-know limits on access to particular programs or activities, to tighten procedures for granting clearances, and to require that supervisors evaluate the security performance and reliability of cleared personnel.

- A Presidentially-ordered five-year buildup of FBI foreign counterintelligence resources, which began in 1983 and has had full Congressional support in the annual Intelligence Authorization Acts.

- Substantial increases in funding for the counterintelligence programs of the military services and DIA, whose budgets are consolidated in the DoD Foreign Counterintelligence Program managed by the office of the Deputy Under Secretary of Defense for Policy. These increases have also had full support in the Intelligence Authorization Acts.

These Administration actions have made progress, but as the President emphasized in his June 29 address, much more must be accomplished.

In several areas, Congressional action has been taken to encourage or facilitate specific countermeasures:

- The Huddleston-Leahy amendment to the Intelligence Authorization Act for FY 1985 requires annual reports to the Intelligence and Foreign Relations Committees on steps taken to reduce the disparities in numbers and treatment between officials in the United States from countries that engage in hostile intelligence activities and U.S. officials in those countries.

- The Leahy-Cohen amendment to the State Department Authorization Act for FY 1986 establishes the policy that the numbers of U.S. and Soviet embassy and consular personnel should be substantially equivalent, unless the President makes an exception, and requires that a plan to achieve equivalence be submitted by February, 1986.
- The Roth amendment to the State Department Authorization Act for FY 1986 authorizes the State Department to regulate the activities of U.N. Secretariat personnel and requires that such personnel be subject to the same controls as diplomats from their home country, unless the requirement is waived by the Secretary of State.
- The Durenberger-Leahy amendment to the FY 1985 Supplemental Appropriations Bill provides $35 million to enhance security countermeasures at U.S. Embassies and other facilities abroad.
- The State Department Authorization Act for FY 1986 calls for replacing Soviet employees at our Moscow Embassy with Americans to the extent practicable.
- The Statement of Managers accompanying the Conference Report on the State Department Authorization Act for FY 1986 calls for a report on illicit electronic surveillance in the United States by foreign governments.

In addition to these measures already enacted, the pending Conference Report on the Defense Department Authorization Act for FY 1986 includes provisions offered by Senator Nunn to add funds for reducing the security clearance backlog, to require Presidential guidance and a report on personnel security policy, and to give DoD background investigations a conditional exemption from OPM regulations. The pending defense bill also contains a new article in the Uniform Code of Military Justice permitting the death penalty for espionage in certain circumstances, a requirement for a report on the desirability of reinstituting the death penalty for civilian espionage, and limits on the "test program" for expanded use of polygraph examiniations in DoD so as to ensure quality controls and prevent mistakes. The conference on the Intelligence Authorization Act for FY 1986 is considering Senate provisions to increase Defense Department access ~~to~~ to criminal records for employee security background checks and to facilitate military counterintelligence double agent operations, as well as a House proposal for a DCI report on security vulnerabilities abroad.

While individual Senators may have differing views on one or another of these actions, the record clearly demonstrates a vigorous and determined effort by the Congress to address serious problems.

4. A Strategic Approach to Counterintelligence and Security

This list of Administration and Congressional initiatives hardly scratches the surface of the numerous recommendations for counterintelligence and security improvements that have been made by various recent studies, mainly within the Executive branch. The Select Committee has been reviewing these proposals with Administration officials so as to arrive at a common agenda. It is increasingly clear that a strategic framework is needed for deciding where to concentrate. Thus far, both the Administration and the Congress have addressed these issues piecemeal. Many different agencies and Congressional committees have taken up parts of the problem, but nowhere has anyone tried to pull all the elements together in one place for a comprehensive assessment.

Recognizing this vacuum, the Select Committee has begun exactly that kind of systematic review. The Select Committee has had the benefit of some of the best thinking in the government as we work with Administration officials to reach agreement on the essential elements of a national strategy.

a. A National Counterintelligence Strategy

We believe we are close to an agreement, based on statements of the President and our consultations with key NSC officials, that the Executive branch should develop a national counterintelligence strategy. We are making a distinction here between "counterintelligence" measures and "security" programs. The best way to explain the difference is to say that counterintelligence measures deal directly with hostile intelligence service activities, while security programs are the indirect defensive measures that minimize vulnerabilities.

From this perspective, a national counterintelligence strategy is not limited to the FBI, CIA, and DoD agencies that carry the "counterintelligence" label. It also includes those diplomatic and regulatory policies that control the numbers and movements of hostile intelligence service officers in this country and at U.S. facilities abroad. Each year, in the formal classified justification for funds for its Foreign Counterintelligence Program, the FBI advises Congress that, even with increased resources, the FBI cannot cope with the hostile intelligence threat unless measures are also taken to reduce the number of potential intelligence officers in this country. Where the numbers cannot be reduced, controls on their movements can assist the FBI in making better use of limited resources.

The organizational structure is already in place to develop and implement a national counterintelligence strategy. The relevant NSC committees and the Community CI Staff can provide the necessary forum for policy development, planning, and oversight of implementation. The Presidential mandate is also clear. In his address of June 29, the President said the Administration had "developed a list of things to be accomplished in the counterintelligence and security areas." He said he was "tasking Cabinet officers to implement the improvements and reforms... on a priority basis." The areas mentioned by the President were;

- Better means for informing the public about the Soviet intelligence threat.
- Reduction of the size of the hostile intelligence presence in the U.S. from the present level of more than 2,500 Soviet bloc officials.
- Establishing "a balance between the size of the Soviet diplomatic presence in the United States and the U.S. presence in the Soviet Union."
- Better controls on "foreign intelligence agents working at the U.N. who have utilized that organization as a spy nest."
- Improvement of U.S. counterintelligence capabilities, including "better coordination between counterintelligence agencies, better analysis of hostile threats" and adequate legal authority.

The basic question is whether the Executive branch will implement these measures (and other, classified actions) in the face of opposition from elements that have a vested interest in leaving things the way they are. In some areas, legislation may be required to implement fully the President's national counterintelligence strategy. In other areas, bureaucratic inertia must be overcome. The

Select Committee on Intelligence stands ready to help with both processes.

b. A National Strategic Security Program

On the security side, we are discussing with the Administration the desirability of formulating a National Strategic Security Program. The government today does not have a comprehensive and integrated security program to protect the information and activities that have the greatest strategic importance to the United States. Such a program would develop national policy direction and guidance and oversee policy implementation for:

- Personnel security
- Information security and classification
- Telecommunications, computer, and other technical security
- Physical security
- Industrial security
- Interrelationships among these elements
- Research and development efforts
- Security awareness requirements

To assist the National Security Council, there should be a structure for long-term planning and systematic analysis of all aspects of strategic security. It should be a focal point for the various overlapping forums that now divide responsibility for security policy.

This is not a new proposal. Almost thirty years ago, the Congress established a Commission on Government Security with members appointed by the President and the Congressional leadership. Its chairman was a former President of the American Bar Association, and the Vice Chairman was Senator John Stennis. In its 1957 report, the Commission called for a Central Security Office to ensure greater uniformity and higher quality for personnel and industrial security throughout the government. The Commission also stressed "the dangers to national security that arise out of overclassification of information which retards scientific and technological progress" -- and proposed abolishing the Confidential classification because the danger of access to such material was "not significant" and the clearance requirements afforded "no real security-clearance check." The passage of nearly thirty years has not diminished the relevance of these recommendations.

Among the options we expect to see emerge from the Stilwell Commission is an improved personnel security system for those positions with access to information or activities of the greatest strategic importance. We will need to consider more stringent requirements for such positions, including regular financial reports; prior notice of all foreign travel; high personal reliability standards with enforcement by superiors; a clearance policy that selects the most qualified personnel, rather than merely weeding out the worst; and a strong inspection system. It may also be necessary to consider legislation to apply to such positions post-employment obligations and perhaps revised criminal penalties.

These are examples of specific ideas that are being considered as part of the agenda for immediate actions and long-term decisions to strengthen U.S. strategic security. In addition, when we proposed what became the $35 million FY 1985 supplemental appropriation for security countermeasures abroad, we asked the DCI to plan how to use those funds in the context of a long-range strategy for dealing with hostile intelligence threats to U.S. facilities overseas. There may well be merit in proposals to institute a "systems security budget" for telecommunications and information systems security in order to coordinate U.S. Government efforts to influence private industry to undertake the development and production of more secure equipment and systems. And a better balance is needed between high-cost research on technical security projects and the current inadequate funding for research on personnel security. The most secure hardware and software are no guarantee against a Walker, a Bell, or a Harper who decides to sell out his country. When security countermeasures against Soviet espionage are assessed in a single forum, the significance of such gaps becomes clearer and innovative policy may result.

5. Recommendations to Limit the Hostile Intelligence Presence

The importance of limiting the hostile intelligence presence in the United States should be obvious to everyone. Nevertheless, foreign policy considerations and perhaps legal obstacles have inhibited the Executive branch for many years from taking reasonable steps to make it more difficult for hostile intelligence services to operate inside this country. Creating a less favorable environment for espionage operations inside the United States should be the foundation of a national strategy. While we are still considering various proposals for improving the capabilities of the FBI and other U.S. counterintelligence agencies and for improved security measures, four recommendations deserve immediate attention. Each is fully consistent with the President's stated goals and should be implemented by the Executive branch unless there are legal obstacles requiring new legislation.

a. Equivalence in U.S.-Soviet Embassy/Consular Personnel

The Leahy-Cohen amendment establishes a policy of, in the words of the President on June 29, requiring "a balance between the size of the Soviet diplomatic presence in the United States and the U.S. presence in the Soviet Union." Some State Department officials appear to believe that this balance should be achieved solely by increasing the number of Americans in Moscow, to replace Soviet nationals employed at our Embassy. This totally misreads the intent of Congress and conflicts with the President's policy. While replacing Soviet nationals with Americans in Moscow will help improve security at the Embassy, it need not be done wholesale. Equally, if not more important, is a gradual reduction in Soviet personnel in the United States, as the President made clear when he said "we need to reduce the size of the hostile intelligence threat we're up against in this country." In determining equivalence, it is vital to ensure that we count all the Soviets employed at their embassy and consulates, and not just those on the official diplomatic list.

b. Reducing the Size of the Soviet U.N. Mission

Besides Soviet embassy and consulate personnel, the largest number of Soviet officials in the United States are assigned to the Soviet Mission to the United Nations (SMUN). That is the next place to cut in achieving the President's goal of making a significant reduction in the 2,500 Soviet bloc officials in this country. The SMUN is more than twice the size of any other country's U.N. mission -- the next largest being the U.S. and Chinese missions. It should be possible for the United States to insist on the principle of equivalence as the base-line for reaching agreement with the U.N. on the size of the SMUN. This reduction in the number of potential intelligence officers would make a significant difference as far as the FBI's counterintelligence burden in New York City is concerned. It is not hard to imagine the enormous difficulties that confront the FBI in covering the activities of possible intelligence officers in a place like Manhattan.

c. Foreign Missions Office Controls on Warsaw Pact Country Representatives

Although the State Department has restricted travel in the United States by Soviet officials, placing some areas off limits and requiring Soviet officials to make travel arrangements through the Foreign Missions Office, similar controls have not been placed on officials of other Warsaw Pact countries. Yet there is overwhelming evidence that the Soviets use the intelligence services of Warsaw Pact countries as surrogates. The recent report on Soviet Acquisition of Militarily Significant Western Technology documents these relationships fully. It reflects the Intelligence Community's judgment that the Soviets are likely to intensify their efforts by "increasing their dependance on surrogates among the East European intelligence services." The report also notes that one of the reasons for the "considerable success" of East European services is that "they operate under less severe travel restrictions" than do the Soviets. Given the evidence of this growing threat, the State Department should at least require Warsaw Pact country representatives to make travel arrangements through the Office of Foreign Missions. Moreover, if the FBI detects officials or representatives of a Warsaw Pact nation engaging in espionage-related activities in a particular area of the country, such as Silicon Valley, that area should be placed off limits to that country.

East European governments do not always require that U.S. officials make travel arrangements through a central government office. Realistically, however, in that part of the world the security police know about virtually every aspect of American official travel. In an open society like ours, the imposition of a requirement to make travel reservations through the Foreign Missions Office is surely consistent with the principle of reciprocity.

d. Regulation of Foreign-Controlled Commercial Entities

The Foreign Missions Act applies not only to diplomatic establishments such as embassies and U.N. missions, but also to state trading organizations and other entities that perform governmental functions. There is, once again, clear counterintelligence information establishing that Soviet and Warsaw Pact trading companies and other commercial entities in the U.S. controlled by those countries are engaged in espionage-related activities. There are two avenues to pursue in regulating their operations.

First, the Export Administration Act as adopted earlier this year authorizes the Commerce Department to require a license for transfer of controlled goods or technology to an embassy or other "affiliate" of a Communist government in the United States. This language should be applied by the Commerce Department to commercial entities that are owned or controlled by Communist governments and that may be used to transfer technology abroad surreptitiously.

Second, the Foreign Missions Act requirements should be applied to these same entities. Under the law as it now stands, such requirements clearly can be applied to state trading organizations such as the Soviet company AMTORG. It is more difficult, however, to apply the Foreign Missions Act to other Soviet bloc-controlled businesses. To close this gap, legislation should be enacted to amend the Foreign Missions Act and authorize the State Department to apply its requirements to "affiliates" of foreign governments, with the same meaning as in the Export Administration Act. A bill for this purpose will be introduced shortly.

These four steps -- equalizing U.S. and Soviet embassy and consular personnel, reducing the size of the Soviet U.N. Mission, requiring Foreign Mission Office travel controls for Warsaw Pact country representatives, and regulating foreign-controlled commercial entities -- are necessary to implement a national counterintelligence strategy. These hearings before the Permanent Subcommittee on Investigations will perform a vital function by letting the American public and all elements of the Executive branch know why such measures are necessary and how strongly they are supported in the Congress.

Chairman ROTH. At this time I am pleased to call William Webster, Director of the FBI.

Judge Webster, is of course, in a very critical position in this problem of espionage, and we appreciate your cooperation, indeed, here today. Let me start out by saying that we understand the sensitivity of your position and that there may be certain information that it would not be appropriate to be disclosed in public. If it is necessary at some future time, we can always go into executive session.

But I would ask my colleagues to keep that in mind. I suspect that our being an open society, that we probably have representatives of the Soviet bloc here today.

Senator GLENN. Can you ask them to identify themselves, please? [Laughter.]

Chairman ROTH. Sentor Glenn has asked that I ask them to identify themselves. [Laughter.]

Later.

As you know, Judge Webster, we do require all witnesses to be sworn, so if you would please rise and raise you right hand.

Do you swear that the testimony you will give before the subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WEBSTER. I do.

Chairman ROTH. Thank you, Judge Webster.

Please proceed.

TESTIMONY OF WILLIAM WEBSTER, DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

Mr. WEBSTER. Thank you, Mr. Chairman. Mr. Chairman, members of the committee. I look forward to discussing with you our mutual concern over hostile intelligence activities in the United States. There is no question that the FBI faces a formidable challenge in protecting our national security from the intelligence gathering activities of hostile services. Intelligence officers posted in the United States enjoy many of the same freedoms as our own citizens in an open society, and they take advantage of these freedoms to our detriment.

There are over 4,000 diplomatic and commercial officials from Communist countries posted in the United States at this moment. The Soviet Union and bloc countries account for over 2,500. Approximately one-third of these officials are affiliated with intelligence services.

In addition to these officials, we can expect to see more than 15,000 students and approximately 90,000 visitors each year. The trend over the past 10 years has been for these numbers to increase. But more importantly, we have observed through our investigations an increased aggressiveness in their intelligence collection efforts.

The Soviet collection effort is the largest and, in terms of their capabilities, the most difficult to counter. Their intelligence services have the highest number of representatives assigned to cover positions in the United States.

The Soviet intelligence officers aggressively cultivate their American contacts and use sophisticated espionage tradecraft and methods to communicate with their agents and acquire classified information. Recent Soviet espionage operations uncovered by the FBI attest to the extensive Soviet intelligence operations of this country.

The Soviet Union also relies on the intelligence services of their East European allies. One of the most serious compromises of national security information occurred as a result of the efforts of a surrogate service, the Polish intelligence service. James Durwood Harper was sentenced to life imprisonment for passing classified documents to a Polish intelligence officer. He obtained these documents from his wife, who had access to them at her work with a U.S. defense contractor.

The loss of this information has been described by U.S. analysts as presenting the Warsaw Pact, and I am quoting, "* * * with a windfall of intelligence information about the capabilities of our strategic forces and our present and future plans to defend them."

We need not rely on our own analysis of the value of this information. The Polish intelligence officers who acquired it received commendations from the Chairman of the KGB, Yuri Andropov, who subsequently became, of course, the leader of the Soviet Union. In our view, there is full cooperation between the Soviet intelligence services and the intelligence services of the other Warsaw Pact countries in the pursuit of common goals.

The threat comes not only from Soviet and bloc officials posted in the United States, but from trade representatives, correspondents, students, scholars, scientists and tourists. In fact, you might recall that just last year, Alice Michelson, a 68-year-old grandmotherly East German tourist, was arrested and charged with espionage. She was trying to transport classified information that she received from a United States contact back to East Germany on behalf of the Soviet Union.

As noted earlier, the academic community has also been a target. Penyu Kostadinov, who was a Bulgarian commercial officer and an intelligence officer posted in New York City, used a Bulgarian scholar who was studying at Columbia University as a "spotter." A spotter is someone who finds and assesses individuals for possible recruitment as agents of the intelligence services. The spotter identified an American student who was willing to do research projects in return for cash. He later introduced the student to Kostadinov. Fortunately, the student saw a TV documentary about the KGB and became suspicious of his involvement with Kostadinov. He reported this to the FBI, and we subsequently arrested Kostadinov for espionage.

In recent years, the FBI has made major strides in countering the intelligence activities of the Soviet Union and bloc countries. We have improved the quality and sophistication of our counterintelligence operations, and as a result, we have achieved significant success in developing recruitments-in-place, disrupting hostile intelligence operations through the use of double agents, and exploiting information provided by defectors from the Soviet and bloc intelligence services.

Through these operations, the FBI has uncovered Soviet and bloc intelligence operations and identified their espionage agents operating in the United States.

Since 1982, the FBI has arrested 25 individuals for espionage. There have been 17 convictions, and in 8 cases, prosecution is pending. This 4-year total is the highest rate of conviction of espionage agents since World War II.

In addition, since 1982, the U.S. Government has formally or informally expelled over 20 Soviet and bloc intelligence officers from the United States based on information developed by the FBI.

The FBI has developed a comprehensive strategy for dealing with the threat from the Soviet and bloc intelligence services. Increases in the complement of special agents, translators, and surveillance personnel, together with the latest innovations in technical coverage, have enhanced the FBI's capability to monitor the activities and movements of Soviet and bloc intelligence officers.

The FBI continues to initiate recruitment-in-place and controlled double agent operations to uncover and disrupt hostile intelligence operations in the United States.

We have also recommended and will continue to recommend persona non grata actions against Soviet and bloc intelligence officers when warranted.

Increases in our complement of counterintelligence analysts and improvements in their training and experience have improved the quality of our understanding of Soviet and bloc intelligence activities in the United States and have assisted our investigative efforts to uncover their espionage operations.

Finally, the FBI has advocated restrictions on the activists and movements of Soviet and bloc intelligence officers in the United States and has supported the efforts of the administration and the Congress to accomplish this objective.

The FBI's accomplishments in recent years have seriously disrupted Soviet and bloc intelligence operations and have impaired their intelligence collection activities in the United States. We expect our successes to continue in the years ahead.

We have made great strides, but a great deal remains to be accomplished. The hostile intelligence presence could be reduced. Congress has recently addressed this issue and has passed the Leahy-Cohen and Roth amendments. Leahy-Cohen expresses the sense of the Congress that the number of Soviet nationals as diplomatic or consular personnel in the United States be substantially equivalent to the number of Americans serving in the same capacity in the Soviet Union. There is currently an imbalance in favor of the Soviet Union.

The Roth amendment requires the application of Foreign Missions Act restrictions to employees of the United Nations Secretariat who are foreign nationals or members of a foreign mission from a country whose diplomatic representatives come under the terms of the act, unless the requirement is waived by the Secretary of State. It will help restrict the activities of Soviet nationals and nationals of certain other countries who present a known risk to U.S. national security interests. The travel restrictions under the Foreign Missions Act do not presently apply to bloc countries.

The FBI will continue to allocate resources sufficient to counter the intelligence collection efforts of the Soviet Union and its allies. While security considerations do not permit me to share with you in an open hearing the number of personnel assigned to the FBI's Foreign Counterintelligence Program, we are in a better position today because national policymakers and the Congress have approved our enhanced budget requests in recent years. The steady growth of our FCI Program, in terms of increases in special agents, intelligence analysts, language specialists, and special suveillance teams was based on the hostile intelligence threat as it was perceived in 1982.

The hostile threat has grown beyond what it was in 1982, and we are continually evaluating the adequacy of our field and headquarters resources to ensure that our FCI needs will be met.

You may be assured the FBI will continue its best efforts to counter the hostile intelligence activities conducted by the Soviet and bloc intelligence services in the United States.

Mr. Chairman, that concludes my formal statement. I would be very pleased to respond to any questions from you or the committee.

Chairman ROTH. Thank you, Judge Webster. As you noted in your testimony, the travel restrictions under the Foreign Missions Act do not presently apply to bloc countries. Would you advise us as to whether extending that legislation to those countries would be helpful to the FBI? Should it be done en bloc, or should we look at each country separately? What other steps could we legislatively take that would be helpful to you?

Mr. WEBSTER. I do think it would be helpful to us from the intelligence point of view and the counterintelligence point of view if the Soviet bloc countries were brought under the same kind of restrictions, responsible, at least, under the Foreign Missions Act. The Soviets have very severe travel restrictions currently in place, 25 miles from the center of three of our major cities. But in terms of notifying the Foreign Missions Office of planned movements outside their prescribed areas, this would be most useful to us and helpful in dealing with the Soviet bloc presence.

The use of surrogates continues to expand. The Soviets can rely on Soviet bloc countries to carry out specific itnelligence acquisition missions, and it doesn't do the whole job. It's only half the loaf to have the restrictions placed on the Soviets alone.

So I believe that that would be helpful to us. I'm not sure I have responed to all of your questions. If I haven't, I will be glad to pick up anything that I missed.

Chairman ROTH. I did ask whether there were any other restrictions or legislative proposals that you care to suggest.

Mr. WEBSTER. Well, I would hope that in due course, the administration would act within its own powers to deal with this problem. Certainly, it's a legitimate area for legislative consideration, but I do believe that we have the authority to deal with this problem presently by Exective order.

Chairman ROTH. I think that is probably true. It may be necessary that we push in that direction.

We talked about the various countries, about putting these limitations on diplomats. I assume you are talking about their employees with international organizations, as well? Would you place them under the Foreign Missions Act?

Mr. WEBSTER. Well, I certainly would give serious consideration to it because of the knowledge that has been adequately demonstrated that these adjunct facilities in the United States are being equally utilized by hostile intelligence services.

The only reason for not using them even more extensively is that it puts their agents in a position of not having diplomatic cover or diplomatic immunity.

Chairman ROTH. In your testimony, I think you mentioned that there are, what, some 15,000 students and approximately 90,000 visitors each year. How serious is that exposure, and to what extent should we try to have restrictions on their freedom to travel, particularly the students who are here for sometime?

Of course, we do have the other side of the coin, that we are anxious to bring students from those countries and give them the opportunity, not only to study here, but to learn democratic ways.

Mr. WEBSTER. Well, there are competing interests at work here, and I favor, in dealing with large numbers of students, the least massive restrictions, consistent with our ability to identify hostile presence among those students.

It's hard to say whether with 12,000 students here at our invitation from the People's Republic of China, that we should impose massive restrictions on their movement. But reasonable limitations that allow us to keep reasonable track of activities, especially those that exceed the apparent normal activity by some of the students, I think, would be appropriate. I can't really define those in an open session. We know that there are a lot of 45-year-old physicists who are here as students, and we want to be very careful in these areas as to what kind of activities are permitted.

Chairman ROTH. In other words, you have to be selective in how we apply it? I think that might be worthwhile for us to discuss.

Mr. WEBSTER. This also raises a question, because we have a very real responsibility here, and I recall all too well adverse reaction in past years when there has been too heavy an FBI presence around campuses and other places, not understanding what the mission is. We've got to be very careful as to how we approach groups such as students.

Chairman ROTH. Let me turn to another area, and that is companies, corporations, private institutions, that are dominated or affiliated with the Soviet bloc.

How serious a problem is this, and to what extent do we need new legislation to take care of that situation? I think there is already on the books some legislation.

I think under the 1985 reauthorization of the Export Administration Act, it provided that foreign-owned American incorporated businesses may be restricted in what technololgy they can purchase if these businesses are defined as "affiliates of a controlled country."

I don't know whether this legislation really has had adequate opportunity to be tested, but does this take care of the problem?

Mr. WEBSTER. Oh, I don't think it even begins to take care of the problem, Mr. Chairman. It's certainly a helpful step in controlling the exportation of embargoed products and technology. There are about 65, I believe, at last count, controlled companies from outside—controlled from outside the United States from the groups that we normally are concerned about in espionage terms.

Chairman ROTH. Sixty-five companies is that?

Mr. WEBSTER. Yes. These companies provide a very useful cover for positive intelligence activity by trained hostile intelligence officers. In fact, some of the most damaging cases that we have uncovered have involved the use of that type of cover.

There is very little State legislation and virtually no Federal legislation that attempts to control ownership of corporations by foreign powers or foreign interests. In fact, in terms of access to conventional credit information, these companies and others like them have total access to the normal credit rating companies that would give them important information about potential recruitments for people who are vulnerable or targets, logical targets for recruitment. That is just an example of the kinds of problems we have.

In terms of the products, embargoed products getting into the hands of our enemies, those who have a—who are acting illegally in pursuit of that effort, a very substantial part of that activity takes place outside the United States. I can't give you those figures in an open session, but far more of that takes place outside the United States than inside the United States.

But in order for it to take place out there, the American product has to move into commerce, into international commerce. I think that these foreign-owned companies, along with diplomatic couches and other devices, have been responsible for a good deal of that technology getting loose in other parts of the world and finding themselves in embargoed areas.

Chairman ROTH. Isn't one of the dangers of their employees, being a newly qualified business in this country, that they can travel anywhere?

Mr. WEBSTER. That is part of the problem.

Chairman ROTH. They have access to technological meetings?

Mr. WEBSTER. That is true.

Chairman ROTH. Access is really a serious problem in many ways?

Mr. WEBSTER. I think either Senator Leahy or Senator Durenberger pointed out—or it might have been one of your statements—but certainly it is true that between 70 and 90 percent of the information sought in this enormous vacuum-cleaning intelligence activity of the Soviet bloc countries is obtained in the United States, at least, from public source material. So by having that freedom of motion, they have got that much more access.

Chairman ROTH. I am going to ask that each of us restrict our first line of questioning to 10 minutes, and we can go around a second time, if necessary.

Senator Nunn.

Senator NUNN. I will just ask one basic question here. Director Webster, we have a number of economic relations with the Warsaw Pact nations. Some of them have most favored nation treatment under trade; others get financial credits and so forth.

Would the FBI be able to furnish us, on a yearly basis, required by law or requested by law, a list of Warsaw Pact countries and the degree of their espionage activities against U.S. interests and against our technology? Would you be able to do that if we asked for that kind of report?

The reason I ask that is it seems to me there would be a real interest here on the Hill in having that information, maybe not with an automatic kind of result, but having that furnished to the appropriate committees, the Foreign Relations Committee, and let that be a key ingredient in determing our economic and trade relationship with those countries.

Mr. **Webster**. We certainly can do that, Senator.

Senator **Nunn**. What would you think of that idea?

Mr. **Webster**. Well, first we have to cross the bridge of the classification of material that we furnish you, because some of that information would necessarily be classified, and you have to work with us, if you would, in trying to determine what kind of public dissemination could be made of it.

But it might be very helpful. Our primary focus at the FBI is on the efforts of intelligence officers to participate in unauthorized movement of embargoed technology or classified technology to the Soviet and Soviet bloc countries and others trying to obtain it.

The Commerce Department and others have an interest in businesses, proprietary businesses violating embargo, laws, and thereby permitting technology to flow by various means to embargoed areas.

That is somewhat different than the use of hostile intelligence officers to obtain that data.

So with the understanding that our focus and our information is primarily on the use of intelligence officers of this country, together, that kind of——

Senator **Nunn** [interposing]. We may need a broader scope than just an FBI report, but may very well be that we want two or three key agencies in our government to make that kind of annual report and have them dovetail. I have had very lengthy conversations with some of the defectors and people at very high levels, including one from Romania who felt that it was an obsession with their government, that they had to have Western credits, that they had to have that kind of economic and trade relationships.

It seems to me there wouldn't be anything wrong at all with setting up a scale creating some real counter pressures within the Soviet bloc as to the behavior. It wouldn't be a perfect system, but I think it would cause some real conflicts within the espionage activities and reporting back to the Soviet Union from the Warsaw Pact nations.

I may very well propose something along that line and would welcome any further thoughts you would have on that.

Thank you, Mr. Chairman.

Chairman **Roth**. Thank you, Senator Nunn.

Senator Cohen.

Senator **Cohen**. Thank you, Mr. Chairman, I think it comes back, Judge Webster, to the point made earlier by Senator Durenberger about the need for some sort of coherence in a counterintelligence strategy, because right now, there is disagreement within the intelligence community, I assume between Mr. Perle's office of opinion as to what needs to be done for assessing the nature of the threat.

Until that is reconciled, we are not going to make much in the way of any substantial improvement. There is also disagreement in the academic community on the need for restrictions. You mentioned travel restrictions on students and what sort of problem that poses for you. The chairman, I think in his comments, said we didn't want to restrict their study of our democratic ways.

Let me tell you, the students who are in this country from the Soviet Union, in particular, are not here studying the Federalist papers. [Laughter.]

This committee has conducted a number of studies and investigations, and we have kept a list of all the students who are here from the Soviet Union studying in America and a corresponding list of those Americans studying in the Soviet Union. Almost without any exception, those students are enrolled in MIT, Cal Tech, Stanford, and on and on, studying the most advanced physics that we have to offer.

Our students are in Moscow University studying the iambic pentameters of Pushkin and the evolution of tort law under Catherine the Great. I am not exaggerating this. [Laughter.]

You can talk about putting restrictions on travel, but the fact is, restrictions do no good if they are in the groves of academic study anyway. In the absence of some sort of strategy recognized by the academic community on the need to control access to that kind of information, again, I think we are butting our heads against a wall.

There is also disagreement within the business and the technical community. I was going to save this question for Mr. Perle, but he is in the audience, so I will prepare him anyway. George Gilder, who happens to be perhaps a soul brother of the President, at least on economic items, said the following in a Wall Street Journal article.

[At this point, Senator Nunn withdrew from the hearing room.]

Senator Cohen. He said, "To subject the pullulating mecca"—that is sort of like the mushroom effect—"the pullulating mecca of U.S. technology to the endless rigmarole of security clearances, licenses, citizenship papers, and nondisclosure agreements snarling new technical papers in a web of new technicalities would be more devastating to the long-run U.S. national defense than the work of thousands of spies."

[At this point, Senator Nunn entered the hearing room.]

Senator Cohen. You have at least a block of a conservatism of our society saying: Do not restrict us or submit us to those kinds of pressures, because we are going to lose our technological edge.

Finally, I point out that whatever we propose, and I think the red team is an excellent idea, Senator Glenn and Senator Nunn, but if I were a Soviet, the first thing I would do would be to target the red team for infiltration. I would point out, for example, this is not beyond the realm of impossibility, as Mr. Howard, who recently defected from the United States also visited with officials of Los Alamos shortly before his departure.

Whatever we propose, I think we have to recognize that it is still going to be a long, uphill struggle, and it has to be made. It seems to me we have got to get some coherence. I think you said something to the effect that you hope the administration would act on its own. Why hasn't it?

Why hasn't it acted on its own? I don't think the administration needs new authority to put the Eastern bloc countries on the restricted list. They have got that power under the original act or under the Foreign Missions Act. Why hasn't action been taken? There is no will to take it because of the split within this administration and past administrations. It is not unique to this administration. Until we resolve the divisions, I think we ought to continue to hold hearings, but we are going to continue to fight a losing battle.

I would ask just one other question, one question, I should say. That is, to what degree, in your judgment, have the Soviets targeted Capitol Hill? You haven't mentioned that yet in terms of their activities.

Mr. WEBSTER. Certainly, they do the things that one would expect them to do in an open society to the extent they are permitted to do it. They are present at sessions, hearings. They are able to report nuances, as they see them, of congressional attitudes of individual Senators. They are willing to approach staff members wherever possible, and they are alert for opportunities to have meetings with Senators.

There is nothing wrong with accredited diplomats meeting with Senators. That is entirely appropriate. What we have to keep in mind is the tremendous tasking that is going on in which all of these players have roles to play. We appreciate the cooperation of Congressmen in advising us of there contacts and giving us an opportunity to help identify their areas of greatest interest, because their areas of greatest interest are often in their areas of greatest weakness or vulnerability. They will, where they can, seek to develop cooperating or unwitting agents, but I cannot say that we have identified any spectacular successes from the Soviet and Soviet bloc countries and some of the other Third World countries that has been more apparent to us.

The effort will continue, and we will, to the best of our ability with the cooperation of the Members of Congress and the members of their staff, try to deal with it appropriately within our system.

Senator COHEN. That is all.

Chairman ROTH. I guess I should say that I am glad they target us. Otherwise, the people back home would think we are irrelevant to this whole process.

Senator Glenn.

Senator GLENN. Thank you, Mr. Chairman. Can you outline for me the restrictions on Soviets in this country as far as travel goes as opposed to the Germans, the Poles, the Czechs? What are the differences?

Mr. WEBSTER. There are no current restrictions on the Soviet bloc countries, East Germany, Czechoslovakia.

Senator GLENN. They can travel anywhere in the United States they want to go?

Mr. WEBSTER. That's right, except in certain closed areas where we can provide for excluding them if we choose to do so.

But they largely have the run of the country. The rationale for that in the past has been that we enjoy similar privileges in the

Soviet bloc countries as contrasted with the Soviet Union. But that is to ignore the fact that those countries own the railroads; they control the highways; they know our movements because we have to use—we have to buy tickets from them and do such things.

That is not, in my view, equivalency.

Senator GLENN. What are the resrictions on the Soviets?

Mr. WEBSTER. The Soviets are restricted in movement, particularly in the three areas, New York, San Francisco, and Washington, to within 25 miles of the center of those cities without prior permission to move.

The Foreign Missions Act controls their travel, their approved travel outside those areas; it requires them to register there; buy their transportation tickets and so forth and give us an adequate control over their movement.

Senator GLENN. Do you feel that the Warsaw Pact nations should be more restricted in this country?

Mr. WEBSTER. Yes, I do, because they are performing surrogate functions for the Soviets.

Senator GLENN. Does that require additional legislation or is there authority to do that now?

Mr. WEBSTER. There is authority to do that now.

Senator GLENN. Why hasn't the administration done it? I will ask Senator Cohen's question.

Mr. WEBSTER. Well, the process is excruciatingly slow from the perspective of intelligence responsibilities or counterintelligence responsibilities.

There are, we recognize, other competing interests here in terms of expanding our own commercial interests abroad, improving diplomatic relationships, and each of those are addressed at various levels in implementing new initiatives. Consensus building is a slow process, whether it's done legislatively or done administratively, and I don't want to leave the committee with the impression that there is no strategy-making function.

We have, of course, the National Security Council. Reporting to it is the SIG or Special Intelligence Group for Intelligence, chaired by the DCI. There are two significant working groups, the IGCI, that is the group on counterintelligence, and the IGCM, which is a group responsible for counter measures.

The countermeasures deal primarily with a subject that often gets lumped into counterintelligence, which has to do with protection of the secrets, which is security for the classified information that you were talking about earlier.

These groups have considered a series of initiatives. Participating in each of these groups are representatives from competing view agencies; agencies that have other responsibilities. State Department is sometimes concerned about retaliation abroad for agencies who have agents actively working abroad; that raises questions about changing our policy in the United States that might affect something going on over there.

Senator GLENN. That was a Soviet lesson in strategy. Once they are accredited here, are they then cleared to travel all over the country? Are they restricted to the same 25 miles?

Mr. WEBSTER. They are treated just as other Soviets are treated, and now with the Roth amendment, the employees in the United

Nations who previously were considered as something different than Soviet officials are now subject to the same restrictions, and that's been very, very helpful to us.

Senator GLENN. Let me ask in a little different area here while I still have some time. Just a few years ago, not very long ago, we were very concerned, about CIA activities and whether they were being abused within this country, within our own borders, not just outside the country. This got into a big furor, of course. There were all kind of statements: "We have to restrict them to outside the country, the FBI will take care of everything inside the country."

I don't see how you can draw that fine a line. I know there are different cooperatives and groups that you were naming. Do we need any changes in that area? I know we are in open session here, but I don't see how the CIA does their job offshore and then says, once they come back in and go through customs, "Bang, I can't say anything or have anything to do about following people in this country. We have to turn the wheel over to the FBI. The FBI hopefully will follow them until they go offshore and we will follow them then."

Are there any new arrangements being made? Is there any legislation needed to allow arrangements between the FBI and CIA to occur?

Senator COHEN. If you will yield for a question, if you will make a study of the Howard case, the fellow who recently defected, of what took place between the CIA and the FBI, I think you would see a classic case of what's wrong.

Mr. WEBSTER. I believe, in response to both Senators, that what is in place works well for our kind of society. We can't blame the process on the individual situation in which the process may or may not have been adequately followed.

It's very important in our society, where counterintelligence involves dealing largely with the United States persons who may be the possible subjects of investigations or suspicion of espionage activity, that we remember that the constitutional principles apply to them, and it's very important, it seems to me, that agencies trained in our laws and trained to respect our system be in charge of that function as contrasted with agents who have the very difficult and demanding responsibility of acting in other people's territory under different rules or no rules at all. So that that classic handing off procedure has value to our society.

The question is, how well does it function? I think, in the main, it functions very well. We do a number of things jointly. The FBI—the CIA is able to conduct some activities in coordination with the FBI. That means the FBI must be consulted and must approve the activities inside the United States. The FBI is able to do some activities in extension of their counterintelligence responsibilities abroad, only if we coordinate with and have the approval of the CIA. We do some things together, which I can't discuss in an open session.

The level of candor, the level of cooperation and the assists that we have given to each other by sharing expertise that we have that is better than theirs, that they have that is better than ours, I think, has taken a quantum leap in the last several years. Director Casey feels the same way about it. We want these two agencies to work well together, but I don't believe that there is any need to expand the CIA's authority to function independently of a law-trained agency like the FBI or of our authority to act abroad without coordination with them.

Stepping on each other's toes is the type of problem that we have really got to avoid, because some of these investigations are so sensitive, that we often provide the potential for that, not just the CIA and the FBI, but with the military intelligence services, who are also conducting legitimate investigations.

Senator GLENN. I would like, Mr. Chairman, to get into this in a lot more detail, perhaps at another hearing, or perhaps at a classified hearing once we get into that. Because I think that is an area of major concern.

Just one other question here. I know this question is a very sensitive one. I fully support the news media and all their amendment rights and the right to publish and all of that. I don't want my remarks here this morning to be misconstrued. I wonder if we ever run an analysis on how much technical information goes abroad via espionage versus how much our very aggressive press in this country publishes and it gets abroad by that medium.

I know that is a very sensitive area. I am not trying to stop anybody's right to publish, lest I be misunderstood here this morning. But you know, the Soviet intelligence job is 90 percent accomplished if they have subscriptions to the Congressional Record and Aviation Week.

Then they flesh it out with more details. I am not criticizing Aviation Week. But I wonder if anyone has ever really done a study on how much information flows via public channels out of this country as opposed to how much really gets done by the traditional espionage we normally think of as being the culprit.

Mr. WEBSTER. I think the Senator has—Senator Glenn, that you have touched on part of what I conceive to be a broader problem. It may be, as suggested by Senator Cohen, I believe, that talked about an attitudinal problem with respect to classified information.

With 4 million people qualified to receive one form or another of our secrets, with enormous masses of material classified, we have experienced a kind of numbness, insensitivity to classified information, which forms the basis for the illegality. Because to distribute classified information is illegal. We just had a conviction in Baltimore last week for distributing classified information.

That is illegal. But because of the large amounts of people who can receive classified information, the large amount of classified material that is out there, I think the press, I think many Government employees have become numb or have lost their respect for the principle of confidentiality. They don't see it as destroying their country. They see it as simply reacting to an overbearing bureaucracy classifying everything that didn't mean anything.

Senator GLENN. Mr. Chairman, it might be interesting to have staff or to have somebody look into something like that. It would be interesting to look at it from the Soviet standpoint and look at what major bits of information they have received or major chunks of information they have received that have benefited them over the past 5 years, 10 years, whatever the study would encompass, look at it from their standpoint, what gave the Soviets the most benefit and see what their sources are for that; as we can best analyze it, how much of it came from public sources, normal open society sources that we have in this country and what came through real, honest, hard core espionage. It might be surprising.

Chairman ROTH. I would just add one comment on the question of the press. I think in the case of Great Britain, when they expelled a number of people, six of them, if I recall correctly, were correspondents, Russian correspondents. One of the things that concerns me, and I don't know what the answer is at this stage, but we do apparently let members of the Soviet press have all the privileges of a legitimate member of the press, because they are also made minor diplomatic agents, and from that, diplomatic immunity.

Does this create special problems, or is this something we can be looking at?

Mr. WEBSTER. Well, I think it's certainly something you should be looking at. It doesn't make a lot of sense to give them that dual protection in a society such as ours.

Chairman ROTH. So that it is a problem area. Let me ask you one question about attitude. I think in your testimony, you talk about the one university, I can't remember whether it is Columbia or somewhere, where there was a spotter and so forth, and that the individual student who was doing the research, once he became aware that he may be doing work for the KGB, brought it to the attention of the FBI.

Is there some way that we could make more people aware in academia, including the students, of the problem? Can this be done in any legitimate way? Apparently, he became concerned because he saw something on TV.

Mr. WEBSTER. As you know, we have done this with some sucess in commercial areas through our Decca Program. We have reached about 12,000 companies, and they have been responsive in many cases. But I think the academia presents a far more sensitive, touchy area in which to go about this.

There is a national—a natural skepticism about law enforcement or intelligence officers functioning on the campus, and that's understandable.

And they have great hopes and expectations for exchanges of foreign students that, in many cases, tend to want to play down the intelligence assignments that some, a very small sprinkling of those students, will have. It doesn't really work to try to create an atmosphere of watch each other, and I think it creates perhaps a backfire for the credibility of our work.

[At this point Senator Glenn withdrew from the hearing room.]

Mr. WEBSTER. It has to be done very quietly, with responsible members of the university campus so that they can be assured that we are not witch hunting in an area that is dedicated to academic freedom.

I think to the extent that we can illustrate real case situations, perhaps the Congress, through its proceedings, can illustrate real case situations.

We at least have one leg up in being able to say we are not imagining these are problems. We need reasonable assistance.

Chairman ROTH. Judge Webster, we appreciate your being here today. We do look forward to continuing to work with you. I might say in this area, what we need to do with respect to companies affiliated with foreign interest may be an area where you can be helpful as to what additional steps need to be taken. I appreciate your willingness to come here and testify today.

Mr. WEBSTER. Thank you. It was a pleasure.

Senator NUNN. May I ask one question? Along the lines of having a yearly report on the espionage activities of Warsaw Pact or Eastern bloc countries, if we do consider some kind of travel restrictions as you believe are probably necessary now, what would you think of trying that yearly report to the travel restriction, as well as the credits to most favored nations?

Mr. WEBSTER. I would want to think about it but it sounds both reasonable and effective, to me.

Senator NUNN. Instead of, for instance, saying that the PRC would be restricted along with every other Communist country or controlled country, perhaps make that yearly report an examination of what, in fact, the PRC or Hungary, that has the most-favored-nations treatment, the actual activities and the extent to which they are acting against our own national securities.

Mr. WEBSTER. That is one of the initiatives that has been considered within the intelligence community, so I think it's fair for Congress.

Senator NUNN. I guess the real question is whether we ought to have a discriminating policy, country by country, rather than treating everybody exactly the same. That is the key question in terms of travel restrictions. I am certain we do that, but we consider immigration policy, for instance, in granting MFN treatment. I understand from people I have talked to that it is a very important consideration in terms of the behavior toward immigration in those Warsaw Pact nations.

Unfortunately, it hasn't been nearly as productive in terms of in the Soviet Union itself, but it has been in terms of the Warsaw Pact nations.

Mr. WEBSTER. It has a lot of merit.

Senator NUNN. Thank you, Mr. Chairman.

Chairman ROTH. Thank you, Judge Webster.

[Mr. Webster's prepared statement follows:]

STATEMENT OF WILLIAM H. WEBSTER, DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I'M LOOKING FORWARD TO DISCUSSING WITH YOU TODAY OUR MUTUAL CONCERN OVER HOSTILE INTELLIGENCE ACTIVITIES IN THE UNITED STATES.

THERE IS NO QUESTION THAT THE FBI FACES A FORMIDABLE CHALLENGE IN PROTECTING OUR NATIONAL SECURITY FROM THE INTELLIGENCE GATHERING ACTIVITIES OF HOSTILE SERVICES. INTELLIGENCE OFFICERS POSTED IN THE UNITED STATES ENJOY MANY OF THE SAME FREEDOMS AS OUR OWN CITIZENS DO IN AN OPEN SOCIETY, AND THEY TAKE ADVANTAGE OF THESE FREEDOMS TO OUR DETRIMENT.

THERE ARE OVER 4,000 DIPLOMATIC AND COMMERCIAL OFFICIALS FROM COMMUNIST COUNTRIES POSTED IN THE UNITED STATES AT THIS MOMENT. THE SOVIET UNION AND BLOC COUNTRIES ACCOUNT FOR OVER 2,500. APPROXIMATELY ONE-THIRD OF THESE OFFICIALS ARE AFFILIATED WITH INTELLIGENCE SERVICES. IN ADDITION TO THESE OFFICIALS, WE CAN EXPECT TO SEE MORE THAN 15,000 STUDENTS AND APPROXIMATELY 90,000 VISITORS EACH YEAR. THE TREND OVER THE PAST TEN YEARS HAS BEEN FOR THESE NUMBERS TO INCREASE. BUT MORE IMPORTANTLY, WE HAVE OBSERVED THROUGH OUR INVESTIGATIONS AN INCREASED AGGRESSIVENESS IN THEIR INTELLIGENCE COLLECTION EFFORTS.

THE SOVIET COLLECTION EFFORT IS THE LARGEST, AND IN TERMS OF THEIR CAPABILITIES, THE MOST DIFFICULT TO COUNTER. THEIR INTELLIGENCE SERVICES HAVE THE HIGHEST NUMBER OF REPRESENTATIVES ASSIGNED TO COVER POSITIONS IN THE

UNITED STATES. SOVIET INTELLIGENCE OFFICERS AGGRESSIVELY CULTIVATE THEIR AMERICAN CONTACTS AND USE SOPHISTICATED ESPIONAGE TRADECRAFT AND METHODS TO COMMUNICATE WITH THEIR AGENTS AND ACQUIRE CLASSIFIED INFORMATION. RECENT SOVIET ESPIONAGE OPERATIONS UNCOVERED BY THE FBI ATTEST TO THE EXTENSIVE SOVIET INTELLIGENCE OPERATIONS IN THIS COUNTRY.

THE SOVIET UNION ALSO RELIES ON THE INTELLIGENCE SERVICES OF THEIR EAST EUROPEAN ALLIES. ONE OF THE MOST SERIOUS COMPROMISES OF NATIONAL SECURITY INFORMATION OCCURRED AS A RESULT OF THE EFFORTS OF A SURROGATE SERVICE - THE POLISH INTELLIGENCE SERVICE. JAMES DURWARD HARPER WAS SENTENCED TO LIFE IMPRISONMENT FOR PASSING CLASSIFIED DOCUMENTS TO A POLISH INTELLIGENCE OFFICER. HE OBTAINED THESE DOCUMENTS FROM HIS WIFE WHO HAD ACCESS TO THEM AT HER WORK WITH A U.S. DEFENSE CONTRACTOR. THE LOSS OF THIS INFORMATION HAS BEEN DESCRIBED BY U.S. ANALYSTS AS PRESENTING THE WARSAW PACT "WITH A WINDFALL OF INTELLIGENCE INFORMATION ABOUT THE CAPABILITIES OF OUR STRATEGIC FORCES AND OUR PRESENT AND FUTURE PLANS TO DEFEND THEM." WE NEED NOT RELY ONLY ON OUR ANALYSIS OF THE VALUE OF THIS INFORMATION. THE POLISH INTELLIGENCE OFFICERS WHO ACQUIRED IT RECEIVED COMMENDATIONS FROM THE CHAIRMAN OF THE KGB, YURI ANDROPOV, WHO SUBSEQUENTLY BECAME THE LEADER OF THE SOVIET UNION. IN OUR VIEW, THERE IS FULL COOPERATION BETWEEN THE SOVIET INTELLIGENCE SERVICES AND THE INTELLIGENCE SERVICES OF THE OTHER WARSAW PACT COUNTRIES IN THE PURSUIT OF COMMON GOALS.

THE THREAT COMES NOT ONLY FROM SOVIET AND BLOC OFFICIALS POSTED IN THE UNITED STATES, BUT FROM TRADE REPRESENTATIVES, CORRESPONDENTS, STUDENTS, SCHOLARS, SCIENTISTS, AND TOURISTS. IN FACT, YOU MIGHT RECALL THAT JUST LAST YEAR, ALICE MICHELSON, A 68 YEAR OLD GRANDMOTHERLY EAST GERMAN TOURIST WAS ARRESTED AND CHARGED WITH ESPIONAGE. SHE WAS TRYING TO TRANSPORT CLASSIFIED INFORMATION THAT SHE RECEIVED FROM A U.S. CONTACT BACK TO EAST GERMANY ON BEHALF OF THE SOVIET UNION.

AS NOTED EARLIER, THE ACADEMIC COMMUNITY HAS ALSO BEEN A TARGET. PENYU KOSTADINOV, WHO WAS A BULGARIAN COMMERCIAL OFFICER AND AN INTELLIGENCE OFFICER POSTED IN NEW YORK CITY, USED A BULGARIAN SCHOLAR WHO WAS STUDYING AT COLUMBIA UNIVERSITY AS A "SPOTTER." A SPOTTER IS SOMEONE WHO FINDS AND ASSESSES INDIVIDUALS FOR POSSIBLE RECRUITMENT AS AGENTS OF THE INTELLIGENCE SERVICE. THE SPOTTER IDENTIFIED AN AMERICAN STUDENT WHO WAS WILLING TO DO RESEARCH PROJECTS IN RETURN FOR CASH. HE LATER INTRODUCED THE STUDENT TO KOSTADINOV. FORTUNATELY, THE STUDENT SAW A TV DOCUMENTARY ABOUT THE KGB AND BECAME SUSPICIOUS OF HIS INVOLVEMENT WITH KOSTADINOV. HE REPORTED THIS TO THE FBI AND WE SUBSEQUENTLY ARRESTED KOSTADINOV FOR ESPIONAGE.

IN RECENT YEARS, THE FBI HAS MADE MAJOR STRIDES IN COUNTERING THE INTELLIGENCE ACTIVITIES OF THE SOVIET UNION AND BLOC COUNTRIES. WE HAVE IMPROVED THE QUALITY AND SOPHISTICATION OF OUR COUNTERINTELLIGENCE OPERATIONS, AND AS A RESULT, WE HAVE

ACHIEVED SIGNIFICANT SUCCESS IN DEVELOPING RECRUITMENTS-IN-PLACE, DISRUPTING HOSTILE INTELLIGENCE OPERATIONS THROUGH THE USE OF DOUBLE AGENTS, AND EXPLOITING INFORMATION PROVIDED BY DEFECTORS FROM THE SOVIET AND BLOC INTELLIGENCE SERVICES.

THROUGH THESE OPERATIONS, THE FBI HAS UNCOVERED SOVIET AND BLOC INTELLIGENCE OPERATIONS AND IDENTIFIED THEIR ESPIONAGE AGENTS OPERATING IN THE UNITED STATES. SINCE 1982, THE FBI HAS ARRESTED 25 INDIVIDUALS FOR ESPIONAGE. THERE HAVE BEEN 17 CONVICTIONS AND IN EIGHT CASES PROSECUTION IS PENDING. THIS FOUR-YEAR TOTAL IS THE HIGHEST RATE OF ARREST AND CONVICTION OF ESPIONAGE AGENTS SINCE WORLD WAR II. IN ADDITION, SINCE 1982, THE U.S. GOVERNMENT HAS FORMALLY OR INFORMALLY EXPELLED OVER 20 SOVIET AND BLOC INTELLIGENCE OFFICERS FROM THE UNITED STATES BASED ON INFORMATION DEVELOPED BY THE FBI.

THE FBI HAS DEVELOPED A COMPREHENSIVE STRATEGY FOR DEALING WITH THE THREAT FROM THE SOVIET AND BLOC INTELLIGENCE SERVICES. INCREASES IN THE COMPLEMENT OF SPECIAL AGENTS, TRANSLATORS, AND SURVEILLANCE PERSONNEL, TOGETHER WITH THE LATEST INNOVATIONS IN TECHNICAL COVERAGE, HAVE ENHANCED THE FBI'S CAPABILITY TO MONITOR THE ACTIVITIES AND MOVEMENTS OF SOVIET AND BLOC INTELLIGENCE OFFICERS. THE FBI CONTINUES TO INITIATE RECRUITMENT-IN-PLACE AND CONTROLLED DOUBLE AGENT OPERATIONS TO UNCOVER AND DISRUPT HOSTILE INTELLIGENCE OPERATIONS IN THE UNITED STATES. WE HAVE ALSO RECOMMENDED AND WILL CONTINUE TO RECOMMEND PERSONA NON GRATA (PNG) ACTIONS AGAINST SOVIET AND

BLOC INTELLIGENCE OFFICERS, WHEN WARRANTED. INCREASES IN OUR COMPLEMENT OF COUNTERINTELLIGENCE ANALYSTS AND IMPROVEMENTS IN THEIR TRAINING AND EXPERIENCE HAVE IMPROVED THE QUALITY OF OUR UNDERSTANDING OF SOVIET AND BLOC INTELLIGENCE ACTIVITIES IN THE UNITED STATES AND HAVE ASSISTED OUR INVESTIGATIVE EFFORTS TO UNCOVER THEIR ESPIONAGE OPERATIONS. FINALLY, THE FBI HAS ADVOCATED RESTRICTIONS ON THE ACTIVITIES AND MOVEMENTS OF SOVIET AND BLOC INTELLIGENCE OFFICERS IN THE UNITED STATES AND HAS SUPPORTED THE EFFORTS OF THE ADMINISTRATION AND THE CONGRESS TO ACCOMPLISH THIS OBJECTIVE.

THE FBI'S ACCOMPLISHMENTS IN RECENT YEARS HAVE SERIOUSLY DISRUPTED SOVIET AND BLOC INTELLIGENCE OPERATIONS AND IMPAIRED THEIR INTELLIGENCE COLLECTION ACTIVITIES IN THE UNITED STATES. WE EXPECT OUR SUCCESS TO CONTINUE IN THE YEARS AHEAD.

THE FBI HAS MADE GREAT STRIDES, BUT A LOT REMAINS TO BE ACCOMPLISHED. THE HOSTILE INTELLIGENCE PRESENCE COULD BE REDUCED. CONGRESS HAS RECENTLY ADDRESSED THIS ISSUE AND HAS PASSED THE LEAHY-COHEN AND ROTH AMENDMENTS. LEAHY-COHEN EXPRESSES THE SENSE OF THE CONGRESS THAT THE NUMBER OF SOVIET NATIONALS SERVING AS DIPLOMATIC OR CONSULAR PERSONNEL IN THE UNITED STATES BE SUBSTANTIALLY EQUIVALENT TO THE NUMBER OF AMERICANS SERVING IN THE SAME CAPACITY IN THE SOVIET UNION. THERE IS CURRENTLY AN IMBALANCE IN FAVOR OF THE SOVIET UNION.

THE ROTH AMENDMENT REQUIRES THE APPLICATION OF FOREIGN MISSIONS ACT RESTRICTIONS TO EMPLOYEES OF THE UNITED NATIONS SECRETARIAT WHO ARE FOREIGN NATIONALS OR MEMBERS OF A FOREIGN MISSION FROM A COUNTRY WHOSE DIPLOMATIC REPRESENTATIVES COME UNDER TERMS OF THE ACT, UNLESS THE REQUIREMENT IS WAIVED BY THE SECRETARY OF STATE. IT WILL HELP RESTRICT THE ACTIVITIES OF SOVIET NATIONALS AND NATIONALS OF CERTAIN OTHER COUNTRIES WHO PRESENT A KNOWN RISK TO U.S. NATIONAL SECURITY INTERESTS. THE TRAVEL RESTRICTIONS UNDER THE FOREIGN MISSIONS ACT DO NOT PRESENTLY APPLY TO BLOC COUNTRIES.

THE FBI WILL CONTINUE TO ALLOCATE RESOURCES SUFFICIENT TO COUNTER THE INTELLIGENCE COLLECTION EFFORTS OF THE SOVIET UNION AND ITS ALLIES. WHILE SECURITY CONSIDERATIONS DO NOT PERMIT ME TO SHARE WITH YOU IN AN OPEN HEARING THE NUMBER OF PERSONNEL ASSIGNED TO THE FBI'S FOREIGN COUNTERINTELLIGENCE (FCI) PROGRAM, WE ARE IN A BETTER POSITION TODAY BECAUSE NATIONAL POLICYMAKERS AND THE CONGRESS HAVE APPROVED OUR ENHANCED BUDGET REQUESTS IN RECENT YEARS. THE STEADY GROWTH OF OUR FCI PROGRAM IN TERMS OF INCREASES IN SPECIAL AGENTS, INTELLIGENCE ANALYSTS, LANGUAGE SPECIALISTS, AND SPECIAL SURVEILLANCE TEAMS WAS BASED ON THE HOSTILE INTELLIGENCE THREAT AS IT WAS PERCEIVED IN 1982. THE HOSTILE THREAT HAS GROWN BEYOND WHAT IT WAS IN 1982, AND WE ARE CONTINUALLY EVALUATING THE ADEQUACY OF OUR FIELD AND HEADQUARTERS RESOURCES TO INSURE THAT OUR FCI NEEDS ARE MET.

YOU MAY BE ASSURED THAT THE FBI WILL CONTINUE TO COUNTER THE HOSTILE INTELLIGENCE ACTIVITIES CONDUCTED BY THE SOVIET AND BLOC INTELLIGENCE SERVICES IN THE UNITED STATES.

MR. CHAIRMAN, THAT CONCLUDES MY OPENING STATEMENT. I WOULD BE HAPPY TO ENTERTAIN ANY QUESTIONS YOU MAY HAVE AT THIS TIME.

Chairman ROTH. At this time, I would like to call forward Richard Perle, the Assistant Secretary of Defense for International Security Policy.

We are indeed delighted to have you here today, and do you want to remain standing and raise your right hand?

Do you swear the testimony you give before this subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. PERLE. I do.

Chairman ROTH. Thank you. Please be seated. Proceed with your testimony.

TESTIMONY OF RICHARD PERLE, ASSISTANT SECRETARY OF DEFENSE

Mr. PERLE. Thank you very much, Mr. Chairman. It's a pleasure for me to appear before the subcommittee this morning, even if I find myself on the other side of the table. I believe I had something to do with launching the inquiry of the Permanent Subcommittee on Investigations in the area that is the subject of today's hearing when, some years ago, I was privileged to work for Senator Henry Jackson. This was a subject of immense interest to Scoop, as it is to me. I would like to think that in both branches of Government, there are those who were inspired by him and who have continued his interest in such national security issues as the transfer of sensitive technologies from West to East.

In correspondence with the committee, I was asked to comment on the paper introduced by Secretary Weinberger last month entitled "Soviet Acquisition of Militarily Significant Western Technology: An Update." This report is a combined Government product involving 22 agencies of the Government, so that may be some sort of record.

It outlines the programs of the Soviet Union intended to acquire our technology in order to improve their military systems. It reveals, I believe, that the problem, the problem we have known for a long time, is even more serious than those of us who have been interested in this previously believed.

The report is focused on Soviet activities in the United States. It should be clear to all, as I believe some of the preceding discussion has already developed, that similar efforts by Soviet bloc intelligence organizations with other countries are in full swing.

The report shows how the Soviets view their own program. It's not guesswork by us. It is their insight into their effort and their activity, and it's a compilation and distillation of information that shows us how the Soviets are operating.

The portrait of the Soviet program is graphic, and there is no reason to sugarcoat the reality. The free world today is confronted with the most audacious, well-run campaign in modern history of illegal trade diversions, espionage and the acquisition of publicly available information.

The Soviet program employs thousands of Warsaw Pact intelligence officers, scientists, diplomats and military personnel and it makes abundant use of unscrupulous western collaborators. Moreover, the Soviets task and benefit from the product of eastern European intelligence organizations.

That's the cast of characters. You can sometimes tell a lot by looking at individuals you are dealing with. You will hear a little more about their organizations in the remarks that I have to make.

The Soviet program, to acquire more technology and technical data and information, has two major elements. First, the Soviets have obtained literally thousands of pieces of Western military and export-controlled hardware and tens of thousands of classified, unclassified, and corporate proprietary documents.

They exploit these documents, this information, this equipment, in order to raise the technical level of their weapons and military capability. Heavy in this effort is the Director of the Soviet Military Industrial Commission, the VPK. That is the most powerful military industrial body in the Soviet Union. It is made up of the directors of the key defense manufacturing ministries. You can see the director of that, Leonid Smirnoff, in the upper left. The VPK tells the KGB and its military counterpart, the GRU, what its industries need from the West in order to develop Soviet weapon systems.

The State Committee for Science and Technology, the GKNT, coordinates the shopping list of illegal acquisitions and the use of Western technology in these countries. You can see the director of the State Office of Technology in the upper right.

The second element of the Soviet collection system is run through the Ministry of Foreign Trade and the intelligence services. Its purpose is to acquire the thousands of pieces of microelectronic manufacturing, test equipment, computers, other export-controlled equipment and divert it for military purposes.

Hardware obtained through this method violates our export and control laws, needless to say, and those of our allies.

It is used directly in Soviet production lines to make their otherwise backward defense factories and installations more efficient.

As the report shows, the Soviets estimate—this is not an American estimate, but a Soviet estimate—the Soviets estimate that more than 5,000 of their military research projects have benefited significantly each year during the first half of this decade from technology acquired in the Western World. This is an astounding figure. I believe it has made it possible for the Soviets to accomplish tasks that they would not be able to accomplish even with a significant diversion of resources to those purposes.

The Soviets estimate that the three technical areas which benefited most from our technology are electronics, armor and electron optics, and aviation. The infusion of Free world know-how to Soviet systems is particularly important, since it is this kind of advanced technology and innovative design that plays a significant role in developing modern weapon systems.

I would like to point to a few specific examples of Soviet uses of Western technology. The first is the MIG-29, known in NATO parliaments as the Fulcrum. The improvements to this look-down-shoot-down radar system is a direct product of United States research and development, and for the Soviet Union, an espionage success story.

The second is the Soviet space shuttle. The Soviets have amassed thousands, I would say tens of thousands of our openly available documents and made a virtual copy of the United States space shuttle, saving themselves many years of developmental effort.

I would point out, Mr. Chairman, that the Soviet shuttle program is predominantly a military program. We estimate that some 80 percent of the Soviet activity in space is military activity or with military officers on board shuttle flights conducting military experiments.

By the way, the National Aeronautics and Space Administration, which has done a marvelous job of developing the space shuttle for the United States, has made no small contribution to the development of the space shuttle in the Soviet Union by its remarkably open approach to the publication of documentation.

Over the years, there has been, in my judgment, an unhealthy tilt in the direction of open publication. This has meant better communication within the United States undoubtedly. But it has also transferred more of this direct, serious, technical and useful, technical information of a sensitive nature to the Soviet Union. I would hope NASA would pay more attention to the security of what has been its relatively unencumbered policy of open publication.

The next example is a new torpedo that the Soviets are developing for their most advanced submarines. Unhappily, it includes know-how derived from the U.S. Mark 48 torpedo program.

The Soviets are also developing a new laser-guided artillery shell, and in doing this, they are making use of technology derived from the similar U.S. program, the Copperhead development program.

The KGB, unhappily, has acquired documents from our laser program, and they are using some of our ideas in order to develop what we think will be a Soviet space-based chemical laser weapon.

[At this point, Senator Nunn withdrew from the hearing room.]

Mr. PERLE. In addition to these acquisitions of military hardware, document acquisitions, and this is obviously a very small sample, the Soviets acquired many thousands of pieces of microelectronics manufacturing equipment for hundreds of computers in their military programs. The Soviets use businessmen who are prepared to divert such export-controlled equipment into the U.S.S.R. through virtually every country in the world.

The report makes clear, Mr. Chairman, that the efforts that we and our allies are making to stop the Soviet acquisitions are entirely justified. Without those programs, the situation would be even worse; the technological lead upon which the Free World's defense system depends would be dangerously diminished.

We have taken a number of steps during this administration to try to make the Soviet acquisition task more difficult and, in some cases, impossible.

The United States has greatly expanded its export control system some tenfold within the past 5 years, and we have established a credible export enforcement program that has been and continues to be a factor the Soviets have seriously to take into account as they attempt to divert technology.

We continue to work with our allies and other friendly countries to ensure that the Free World's technological lead is not so eroded that our young people in uniform end up having to face our weapons in the battlefield, and I think we have made significant progress with our allies.

Not least of all, because as we have uncovered the kind of information summarized in this report, we have been able to shave that information with our allies. They have come, too, to appreciate the significant losses we have been suffering. I think it should be clear that blunting the Soviet effort requires a complex effort that is made more difficult by the openness of our trading system, our Western trading system. In some cases, the inadequacy of the laws that control this sort of activity, some of which this committee has sought to recommend improvements to imply, to a certain extent, a lack of appreciation of how the Soviets operate.

I was struck by the story Judge Webster told about a student who happened, by good chance, to see a television program in which a KGB recruitment technique, which was at that very moment being practiced on him, was developed and it struck a chord. But suppose he had missed that program. There is a lot we can do simply to get the story across of how the Soviets operate.

Our goal should be encountered, at least the domestic aspect of this threat, by strictly limiting the numbers and activities of Warsaw Pact visitors to the United States down to a manageable level. The activities of this committee, Senator Cohen, Senator Roth, and others in this regard, are enormously helpful. You were quite right to observe that there are divisions within every executive on this issue, and frankly, the leadership of the Congress on this one, I think, would be welcomed by the country as a whole.

The restriction on travel privileges for Soviet personnel to the U.N. is a very good place to start. In my judgment, it ought to be expanded to include those surrogates who operate for the Soviets. It really makes no sense to limit the Soviets alone while allowing Poles, East Germans, Czechs, Rumanians, and others to carry out activities that are assigned to them by the Soviet intelligence services. On the links among these intelligence services, there can be no doubt. This includes countries that, in other respects, give the appearance of managing an independent or a quasi-independent foreign policy.

I would urge that as you consider statutory intervention by the Congress, that we should not differentiate among members of the Warsaw Pact to the degree to which members of the Warsaw Pact permit themselves to be used by Soviet intelligence. If they wish to be treated differently, it seems to me they need to establish a record of paying for it. I think, by the way, that a willingness to treat differently those Warsaw Pact members who refuse assignments from the KGB would put those governments in a position to consider refusing those assignments. As it is now, their interests are not engaged, and so the course of least resistance is to accept those assignments and carry them out and please those masters.

So I would put them all in the same boat until there is persuasive evidence that they are prepared to pay some close attention to our interests in refusing to act as agents for the Soviet Union.

Some of the most serious losses we have suffered have been through the activities of other members of the Warsaw Pact. There has already been reference to the shoot-down-look-down radar that was acquired by the Soviets, in this case, by Polish intelligence. That this was done at the request of the KGB, there is no doubt.

Second, I would strongly urge that we face up to the advantages the Soviets derive from the mechanism of front companies in the United States, corporations that are incorporated in the United States but are run by and for countries that are engaged in espionage against the United States.

It seems to me there is a major loophole here, and we really need to come to grips with that loophole. It makes no sense to permit AMTORG as though it were anything other than a close affiliate, at least with the KGB, to remain free of export regulations as in many respects, AMTORG does remain free of export regulations.

Warsaw Pact companies incorporated in the United States, for example, can legally obtain unclassified but nevertheless sensitive, often militarily critical dual use technology. They can study it; they can take it apart; they can photograph it; as long as they don't actually export it, and what travels back to Moscow or Warsaw or the progress in the diplomatic touch is beyond approval. I think we are kidding ourselves if we don't recognize that that is a problem.

Moreover, the Warsaw Pact nationals who work for these companies are not subjected to travel restrictions. American businessmen in Eastern Europe and in the Soviet Union surely are. By operating as legitimate businesses, these commercial officials obtain, as Judge Webster indicated, credit information, including information on firms that may be in trouble and whose management may be ripe for classical espionage sorts of approaches, or companies that may be prepared to sell technology that would be contrary to the national interests to have sold but they are in trouble and costs are sunk in that technology. In a variety of ways and for a variety of reasons, it makes no sense to permit this sort of activity to go largely unencumbered.

I would hope that this committee would look seriously at ways to come to grips with that rather serious loophole.

Mr. Chairman, I think I will stop and thank the committee, again, for the interest it has shown in this very important area and the leadership, if I might say so, in urging the executive branch to pay closer attention to this problem.

Chairman ROTH. Thank you, Secretary Perle. We appreciate your being here and your attention to this most critical problem.

Let me go back just a moment to the question of universities and spotters. I believe in this study, "The Soviet Acquisition of Military Significant Western Technology: An Update" which you made reference to, that there is a chart on page 22 that said, "Over the past decade or so, about 40 percent of the United States universities shown above were identified in the VPK program as sources of applied science and technology, principally for Soviet military aerospace development."

I wonder if you could expand on that and as to whether any steps have been taken either by those universities involved or the executive branch of the Government to make these schools aware of the problem.

Mr. PERLE. Let me say that what you see on page 23 in the report is the Soviets' own enumeration of the universities that they identify as possessing the most interesting technology and technology that they have attempted to acquire, and they are, as you would expect, centers of excellence in the advanced technology applicable to military purposes.

We have tried to urge the university community to recognize that it is, in fact, a target of Soviet intelligence organizations. We have shied away from attempting to legislate in this area because of the sensitivities of the academic community. I believe that it is a little unfair for the Government to lean on universities to show restraint in making sensitive, even though unclassified, technology accessible to students when the Government is not prepared to deny visas to those students in the first place.

The Government has the first responsibility, in my judgment, to protect our sensitive technology. It is a little unfair to say to MIT or Harvard on Princeton, "You have to place restrictions on this student that we have been prepared to issue a visa to so he can come and study in your institution."

[At this point, Senator Nunn entered the hearing room.]

Mr. PERLE. Having said that, I think we have been far too liberal in granting visas to students. Some, as Judge Webster has noted, are well advanced into middle age to come to our best universities and study such sensitive technology as computer design and software, for example.

These are critical military technologies. We know it because we manage our own programs in these areas, and we have exposed Eastern bloc students to the best we have to offer. So if it were up to me, I would stop issuing visas to Soviet students that come to the United States to study high areas of technology that are militarily sensitive, and the Government ought to take that responsibility.

We may be encumbered in doing that by an amendment offered some years ago by Senator McGovern, and I would urge the committee to take a look at the McGovern amendment to see whether it adequately permits us to protect the national interest by denying visas to people that we have reason to believe will go home at the end of their tenure in a position to aid Soviet military development.

Chairman ROTH. Do you have any estimate of how many students of that background are here? Have any studies been made?

Mr. PERLE. There are, indeed, studies, and as Senator Cohen observed, the students who come here from the Soviet Union and from the Eastern bloc usually tend to go to universities like MIT and Cal Tech and Princeton and so forth. They tend to go into the highly technical departments of those universities, and what passes for reciprocity on the American side is sending our students in the humanities for the most part. I don't think we do a very good job of negotiating reciprocity in this area, frankly, and this has been going on for so long now, that I doubt that we ever will.

Chairman ROTH. I wonder if you have any specific suggestions as to what you would do with the organizations or companies that have become affiliated with the Soviets.

Mr. PERLE. Well, there surely ought to be something, the equivalent of the Foreign Registration Act, in which these companies would be identified and compelled to identify themselves in their dealings with, sometimes quite innocently, the agents of the governments that they represent.

I also think it would be entirely justified in applying to the personnel of those institutions, in particular, the Eastern bloc personnel, the same sorts of restrictions on travel and so forth that are applied to Eastern bloc diplomats. They shouldn't have the free run of the land, which is what they now have.

Senator NUNN. The Eastern bloc diplomats now have that free run, though. Equating those wouldn't do a whole lot unless we could get into some more restrictive action.

Mr. PERLE. Quite right. I would hope we could bring the limitations in the Eastern bloc in conformity with those of the Soviet Union, and then the personnel of these business organizations would have to conform to both.

Chairman ROTH. Let me go back to the basic question in your testimony. Your evidence great dissatisfaction with our practices. The question is, Where do we draw the line as to what is restricted or secure? I heard some discussion earlier on by Senator Glenn and others about creating some kind of a red team. What would you do if you were determining how to draw the line as safe as possible and still be practical?

Mr. PERLE. I think there are some lines that could be drawn without great difficulty. I think the idea of limiting the number of Eastern bloc officials to the United States to a number commensurate with the legitimate work that they have to do here is a very good place to start, and in any case, with a number not exceeding the number of Americans in Moscow.

As you know, we have never obtained reciprocity in this area. We haven't even tried. In my judgment, we never will if there is the slightest shred of voluntarism in it. The institutional resistance to it just runs too deep.

So I would, of course, seek to change that, and I think statute is—doing it by statute is probably the only way that it is going to get done. That would make the problem a little more manageable.

I think we——

Chairman ROTH [interposing]. May I ask a question? Would you look at the lengths of time people are here? The comment was made earlier that those that are here for the longest duration may be the most valuable spies for the opposition. Should that be a factor?

Mr. PERLE. I'm not, Senator, expert on whether that, in fact, turns out to be the case. The Soviets tend to leave people abroad when they're productive, and if they're second secretaries and they have been here for years and years, I think one can safely infer that they are producing more than the dispatches of second secretaries. That might be an indicator of who was valuable and who was not.

I know this: That the number of expulsions in recent years were very sizable, and it sometimes astonishes me that a Soviet official can be expelled from one country for intelligence activities and show up in another Western allied country a year later. It wouldn't be a bad idea for NATO allies, at least, to agree that when a Soviet agent is identified and cleared persona non grata that he will not be admitted by any other NATO ally, which would cut short some otherwise promising careers.

I think a lot could be done if there were will to do it. Some of it could be done within the statutory authority of the executive branch. Some areas have been suggested where additional statutory authority is required. I would be delighted to try to develop a list of recommendations.

Chairman ROTH. We would be happy to work with you on that. Time is passing. Senator Nunn?

Senator NUNN. On this question of the red team or what I would call reverse engineering—but either name would have the same basic thrust—do we have a group of people in Government? I know your Department has a lot to do with this, but do we have a group of scientific type people who are charged with the responsibility of trying to analyze the Soviet's military capabilities and military needs and drawing up a list of what I would call supersensitive type technology that we give priority to in terms of protection?

Mr. PERLE. Yes; we do, Senator Nunn. But I would point out that most of these people have other responsibilities, as well, and there is very little in the way of a person dedicated solely to the task of identifying technologies for the purpose of improving our technology controls.

Senator NUNN. Does that come together under your shop? Is that where the focal point is, or is that abroad?

Mr. PERLE. Things have been reorganized some in the Defense Department, and we have now established something called the Defense Technology Security Administration, which is my old shop. It no longer reports to me. It is independent now, and it does have both technical people and nontechnical people.

It draws on the Defense Intelligence Agency and the principal laboratories and intelligence organizations of the services and so forth.

Senator NUNN. Who is lead of that, and how many people do they have that work full time on it?

Mr. PERLE. Steve Bryen heads that.

Senator NUNN. Who does he report to?

Mr. PERLE. He reports to the Under Secretary, Fred Ikle.

Senator NUNN. Is he a scientist?

Mr. PERLE. No; he's not a scientist, but he manages the overall process. He happens to know a lot about computers, but he is not trained as a scientist.

Senator NUNN. How many people with a scientific background does he have working in his shop full time there, and how many in general does he have working?

Mr. PERLE. I think the total number is something on the order of 70. We have a request pending to enlarge that, and I would guess that a third or so have technical backgrounds. I know he is concerned to strengthen the technical side of that operation.

Senator NUNN. With all the bureaucratic differences between Defense and Commerce, State and Customs, et cetera, that you are very familiar with, we have had the suggestion made a couple of years ago that we try to remove this kind of responsibility from the bureaucractic squabble and put it into something, for instance, not necessarily this, but something like one of the national laboratories. This entity would employ full time people charged with a responsibility to get input from all of the agencies. Scientists from all of the agencies would at least be affiliated with them so that we could have one source of scientific advice on this that would connect to the intelligence community and the law enforcement community. I also would suggest that they go out and be charged with educating the business community.

[At this point, Senator Roth withdrew from the hearing room.]

Senator NUNN. As you well know, so much of our high technology today is not developed under any classified system or even developed for the Defense Department, but is simply a fallout of commercial technology.

[At this point, Senator Roth entered from the hearing room.]

Senator NUNN. What would you think about something like that?

Mr. PERLE. I think it is a good idea. I do think there is something to be gained by having more than one institution trying to come to grips with the intellectual problem, because that tension between institutions is helpful.

Senator NUNN. I don't think there is anything wrong with that, either. I don't know that this would have to replace the effort of the Defense Department, but could become a broader aspect of it so that you could fold in the other interests, for instance, the Commerce Department. I don't know where it all comes together now. I think where it comes together in regard to refereeing disputes is usually at such a high level that they don't have time to focus on it. It has to be at the NSC level. It has to kick up at the National Security Council at some level on the organizational chart. But, as you know, it is very hard for them to have time to focus on that kind of thing, so, the agencies just fight.

You wouldn't object, per se, to the idea of having that housed in an area that would not be affiliated directly with one department or the other?

Mr. PERLE. No, I wouldn't at all. In fact, I think there is great merit, although the administration is opposed to the idea and the notion of a dedicated agency.

Senator NUNN. What I am looking for is a counterpart to what you identified as the VPK, an American VPK, so to speak, that would really try to anticipate what the Soviets need; however, that doesn't mean you disqualify everything else. You simply give this the highest priority and so alert your law enforcement officials.

I would like to get any further ideas you might have on that because I know you are a real expert in this area.

Mr. PERLE. I do think we have a pretty good idea of what the high priorities of the Soviet targets are. One of our urgent requirements, in my judgment, is to persuade our allies, and we are working hard to do that, but we cannot make very effective an effort to embargo technologies that other countries propose to send.

Senator NUNN. I agree with that. I think one question there is credibility. Credibility with allies and credibility with the business community are absolutely essential ingredients. I am not sure we are ever going to have that credibility with the present setup. I would rather have credibility with the allies and business communities on 75 percent of the critical needs than have a kind of protected agenda here and not have that kind of protection for allies and businesses.

Mr. PERLE. We have taken some important steps with the allies. We have just now established a group of technical experts who will meet and conduct some technical studies of Soviet requirements and Soviet targets and areas of Western advantage that is particularly important to protect on a multilevel basis with scientists and technicians from a number of countries who participate in that. I think that is an important step forward as related to but not part of Cocom. It is something we have been urging for a long time, and a decision to proceed with that has been taken. I think that is a big help.

Senator NUNN. That is good. That is good. One other question. You, I think, were here when we talked about the possibility of getting a yearly report, with the focal point being the FBI, as well as some of the other agencies, about the degree of espionage activities of the Eastern bloc and Warsaw Pact nations. This report could be reviewed by the Foreign Relations Committee and others that are dealing in such things as the most-favored-nations status, financial credits and so forth. This could perhaps even be expanded to visitation—not visitation, but the travel restrictions that may or may not be imposed on these nations and giving credit in an extremitory manner. Maybe having a rating system of which one of those do the least in terms of damaging our security. What would be your response to that kind of option?

Mr. PERLE. I think it is a terrific idea. My diplomatic colleagues are always saying that we have to differentiate, we shouldn't treat any two countries alike. But when it comes down to differentiation with a punitive element, that is, saying, "You fellows have been collecting technology on behalf of the Soviets so we are going to take action XYZ," there is always a reluctance to do that.

But I think it is a very good idea to make some measurement and to let them know that the degree to which they receive such benefits as they do receive from the United States will reflect the degree to which they are here embodied by our laws and regulations.

Senator NUNN. For instance, Romania and Hungary, whether they should be most favored nations might be subject to yearly review in terms of what they are doing regarding abusing their privileges of access to this country in terms of our national security.

Mr. PERLE. I think the control of credits might be a relatively easier and more flexible instrument than most favored nations, where you have to go through the process of the U.S. business community.

Senator NUNN. Control of credits, so that you would have more flexibility and it could vary from year to year.

Mr. PERLE. "You fellows want credit? Quit stealing technology" is the simple proposition.

Senator NUNN. I agree to that. I think it is a good suggestion. Mr. Chairman, I suggest we pursue that on a joint basis.

Mr. PERLE. But the bureaucracy will peck it to death.

Chairman ROTH. I agree. Let me, if I might, just ask a question on that point. Can you evaluate or distinguish between the various countries of the bloc as to which the Soviet relies the greatest on for assistance? Are there any particular countries she subcontracts espionage to? Are there certain countries that have responsibility for certain areas?

Mr. PERLE. Our information on this is not uniformly published, although I would draw your attention to a country that was, for a long time, thought to be least involved in the insistence from the Soviets in this regard. It turns out, having interrogated an important defector from that country, Romania, that the Romanians were up to their eyeballs in collecting on behalf of the Soviets.

Senator NUNN. That defector also said that particular country was very, very concerned about maintaining trade relations and credits, which is precisely my point. As a matter of fact, I had lengthy discussions and the whole question of immigration and how much they comply with our immigration requests was directly connected with their fear of our cutting off credits.

[At this point, Senator Glenn entered the hearing room.]

Mr. PERLE. There is no question, and that is a country in deep economic trouble that wants to protect its economic ties to the United States. I can't comment on their current operations, but I do know from a fascinating account—and I would be glad to supply it to the committee for inclusion in the record—of the former deputy head of the Romanian Secret Service that they were massively engaged in collection operations against the United States and its principal allies. West Germany was a favorite target, and they achieved quite extraordinary successes.

All the while, it was official policy in this country, and, I suspect, in Europe, to regard Romania as in a different category.

Working back from that, that can be taken as given that the Rumanians would certainly do anything you asked them to.

Senator NUNN. On that point, we have a sworn statement from that defector. I would very much like to have what you have. My staff and I have had lengthy interviews with him. We might want to put that in the record. I have to check on the classification of it, but it is a fascinating account of exactly what this hearing is about and exactly what Senator Cohen's bill is all about and exactly what your aim is here. So it would make a real addition to the record. I believe we can get that declassified.

Mr. PERLE. It is an account, by the way, first elicited by a private citizen, not by any agency of the U.S. Government, I'm sorry to say. I'm glad it finally got done. It's not one the Government should take credit for.

Chairman ROTH. We will have another session to see that that can be done.

Senator Cohen.

Senator COHEN. Mr. Perle, could you have your assistant put that first chart with those photographs backup? I take issue with only one thing you have said today, only one thing.

You have said, I think in your opening statement, you can tell a lot by the looks of the people who you are dealing with. I think that that that fellow down on the right-hand side, he looks more like a linebacker for the Chicago Bears [laughter] than perhaps an agent. But I think that we ought to take issue with the notion that you can tell a lot by looks. I think just the contrary is true. The fact of the matter is that the Soviets have changed their style over the years. They are not fellows who look like that man down in the right-hand corner, but they are rather sophisticated. They are not all Nikita Khrushchevs. They are very sophisticated individuals who could pass as your local insurance salesman.

So I think we, as part of our educational process, we ought not to have the notion that these are the kinds of fellows that you can tell who you are dealing with, because it is quite the opposite.

[At this point, Senator Nunn withdrew from the hearing room.]

Senator COHEN. Second, with your statement, you omitted any reference to China. I know Senator Glenn has an interest in China. I have an interest in China. I recently made a visit to China, along with Senator Dole and others, and during that trip, Senator Moynihan pointed out a very important point: That China was maintaining a two-America policy; that on the one hand, whenever a delegation comes, they were very serious and gracious, as they always are, and great hosts. On the other one, when it comes to voting in the United Nations, they vote 83 to 85 percent against the United States on every issue, even though it has no direct impact upon the policies that would affect their country. It certainly raised to my mind what Senator Nunn was asking questions about, policies of various countries and how we respond to that.

But you don't have anything in your statement concerning China. I think again it comes to a misperception of the interests and the abilities of our either allies or adversaries or some who were in that stage in between; that China, for example, was not viewed as much of a threat to the United States. We are building an alliance relationship with them, as such, or a better relationship with them.

They seem to be less advanced in their technology, and therefore, they don't seem to pose the same kind of threat. But I would suggest to you they have just as aggressive an intelligence gathering operation going on in the United States as do the Soviets. Maybe that is an overstatement, but I think it approaches those dimensions. They are very aggressively seeking out access to our technology so they can modernize, either by what we sell or trade, or by what they can acquire.

I think that has to be taken into account as well as Soviet intelligence operation in this country. The Chinese should be included, as well.

That was not part of your statement. I assume it was just an oversight. I know your own feelings on it. I would ask you a question again: Why hasn't the administration imposed the restrictions upon the Eastern bloc countries as far as their travel restrictions in this country?

You were here. You were here back in 1982 and before that with Senator Jackson. We had hearings in 1982 saying that they have a massive operation going. We have very little directional policy. We had a study that was done by this committee in 1984 saying the same essential thing. We are here today in 1985 saying, "Well, you better make it mandatory, because we can't get it done."

Mr. PERLE. It goes back earlier than that, in the early 1970's. I think there is a great reluctance on the part of the diplomatic establishment to take an action that is regarded as likely to diminish, somehow, the warmth of the relationship between the United States and the countries affected

Senator COHEN. How much warmth is there between us and East Germany?

Mr. PERLE. I don't think there ought to be much warmth based on East German policy, but it is apparent in the diplomatic predisposition to want to accept that relationship. Every year, in diplomatic missions around the world, I don't know whether it is current practice, but it has been traditional to state in their goals and records for the next year in line one of paragraph 1, "Our first goal is to improve the relationship with x," the country to which they are accredited. That, in my view, is an inadequate objective for the United States in its dealings with the Soviet Union and the Eastern bloc, which should be judged by entirely different standards.

I think you will always find a reluctance to do that. It is not only in the United States. It is true of the French and the Britains and the Germans and the others. I recall once about 10 years ago when we were looking at this question in the Permanent Subcommittee, I had a conversation with a French shipperman, and I said, "You know, it is very discouraging; we have been trying to get the Department of State to even up the numbers between our diplomatic representatives in Moscow and the Soviet diplomatic representatives here," and the ratio was something like 2½ to 1.

The Frenchman said, "That is absurd. France would never permit such a situation to evolve." I said, "Benoit, go and check the figures."

He came back sheepishly the next time we met and said he had checked the figures and it was about the same for the French as it was for us and the British and others.

That, by the way, is one of the reasons why you get into the business of expelling spies. We run out of people to expel long before they run out of people to expel. So it gives them that added advantage, as well. We simply ought to go ahead and do it and not worry about the sensitivities.

Senator COHEN. If we pass a law allowing the State Department to apply the Foreign Missions Act to affiliates such as Polamco, is it your testimony that it will not get done?

Mr. PERLE. It will take forever. I think if you are going to take the trouble to pass the law, you should require that it be done and not simply authorize it.

Senator COHEN. Thank you very much.

Mr. PERLE. I stand corrected on your point about judging by appearances. The Soviet intelligence agents today are a good deal more attractive and sophisticated than their predecessors.

Senator COHEN. I still think he might be a match for the Refrigerator. [Laughter.]

Chairman ROTH. Let me ask one more question. If we tightened up the Soviet bloc national travel rights within the United States, what kind of impact do you think that would have on the VPK? Would it merely hurt or force them to concentrate on European and Western allies?

[At this point, Senator Cohen withdrew from the hearing room.]

Mr. PERLE. I think what we are engaged in is an effort to try, through all of the devices that the Soviets use, to minimize their effectiveness. So clearly, they will depend more heavily on other methods of operation.

But they are already in a position, because of actions that have been taken in the last 3 or 4 years, of having to rely rather more heavily on illegal deals since we have tightened up the surveillance of legal export trade and so forth.

So I think we have got to keep trying to narrow their options. You are never going to stop it altogether.

Chairman ROTH. Mr. Secretary, we are having a series of hearings, and the hope is that we can develop some legislation in this area that will be helpful in securing our more vital secrets so that I would urge and ask that you work with us in the days and weeks ahead as we attempt to develop whatever is necessary.

Senator Glenn, did you have some questions?

Please proceed.

Senator GLENN. Thank you, Mr. Chairman. I would like to follow up a little on this red team idea if we could, please. I am sorry I wasn't here when you were talking to Senator Nunn.

Do you think we should have somebody full time on that? Should we have a full-time red team on this?

Mr. PERLE. Senator Glenn, we have some people now who are full time involved in this sort of activity. They don't exactly constitute a red team, but they do pay a great deal of attention to what the Soviets were attempting to acquire and what the implications of those acquisitions would be if they were successful.

This sort of activity goes on in several agencies of the Government. I think pulling it together in a red team is an interesting idea, and I think the principal benefit of doing that would be that you might create the kind of Sinology and esprit that would improve performance over what is otherwise a kind of drudging sort of intelligence problem.

Senator GLENN. Let me make just a little suggestion on that, if I might. I think you were in the room when I said that I went around the country this summer on a 10-day trip and I went to the people who are doing the basic research on Star Wars, the laser scientists and the direct energy weapon scientists. At almost every stop, I would find people speculating, "Well, we are doing so and so; we think here is what the Soviets are probably doing and where they are right now."

So these people are aware of what is going on. They are thinking in these same fields, and they are the highest technical people that we have of anybody in the country. They are working in these fields day in and day out. I would suggest that it might be good to have maybe a week-long seminar or a week-long retreat or something, get some of those people from the different national labs in with people over here, and design a red team to see what we can come up with as areas that are most likely areas to be targets of the Soviets. That might be very productive and might be something you want to think about.

Mr. PERLE. I think that is a very good idea. We can convene with people from the U.S. laboratories, but to convene is a——

Senator GLENN [interposing]. That is a good point. We have dedicated people and brilliant people. To let them brainstorm things, I think, might be very advantageous. Senator Cohen was asking about the PRC. That was another area I wanted to get into briefly also.

Do you think the Department of Energy ought to approve nuclear technology transfer to China as they have been doing prior to implementation of the proposed United States-China nuclear agreement?

Mr. PERLE. Senator, I think that it is terribly important that the People's Republic of China not become a source of nuclear technology to countries that wish to acquire nuclear weapons and are unable to do so with their own technical resources.

How best to persuade the Chinese of the adverse consequences of the proliferation of nuclear weapons to other countries is a difficult judgment to make, and I am, frankly, not sure that agreements in this area are as important as persuading the Chinese that they, too, will be in difficult straits if some irresponsible countries, some of them barely countries, acquire nuclear weapons. I don't know enough about the details to give you a useful answer.

Senator GLENN. Do you think we should go ahead with implementing the agreement with China without better safeguards than we have now?

Mr. PERLE. I think we should be convinced that the commitments that pass between us are adequate and will be honored before going ahead.

But I find it difficult, being somewhat distant from that, to judge.

Senator GLENN. Wouldn't you think that both sides should acknowledge what that agreement is so there can't be any misunderstanding about it?

Mr. PERLE. I think it's important that there not be a misunderstanding, which is not the same as open acknowledgment. I think that there can, sometimes, be understandings that it's better not to press. But again, I simply don't know enough about the details to make a judgment here.

Senator GLENN. Do you have concerns about that, or were there concerns expressed about that agreement when it was shown to the Department of Defense?

Mr. PERLE. Yes. We are concerend about any possibility that countries attempting to acquire nuclear weapons about whose responsibility we have grave reservations would be assisted by China or anyone else. I think it is terribly important that we work with the Chinese to diminish any interest they might have in assisting those countires.

The best instrument for doing that, I think, is hard to say.

Senator GLENN. I know the chairman agrees. He and I have both put in legislation in this matter not to stop the China agreement, but to make very certain that if we are going to go ahead with it, that we go ahead on the basis that both sides agree to what the agreement is. And so far, we are operating off of a memorandum from our side that says what our understanding is and the Chinese haven't agreed to this at all. They said, "We have made the agreement and that's it."

All we want is for them to agree with what our interpretation is of all this. I think that is so fundamental. I know that all of our policies normally with regard to sensitive technology transfer naturally gravitate toward the Soviet Union and bloc countries and so on, and I understand all the reasons why.

But I also am concerned that we not start opening the door here in a different direction without there being some very strict agreements.

We have newspaper reports here, "Spy Ring Shipped Much to China Before Spring," like this, "U.S. Investigates Illegal High Tech Exports to China," newspaper reports in this area. Nucleonics Week reporting out of the DOE has already made 19 authorizations to transfer technology to China, and is in advance of the Senate even approving it.

I flat think that is wrong. We have not approved that agreement. This makes it increasingly difficult for us to get anything through here. I don't want to stop the agreement, but I don't want to see the agreement go through without there being a very specific agreement on the Chinese side of what they are agreeing to, too.

This has to be a grave concern over in the Defense Department as well as the State.

Mr. PERLE. I think it is always a mistake to gloss over differences, with he result that they later become the source of difficulty in the relationship. So there must be a very clear understanding in the manner of expressions.

Senator GLENN. As the Defense Department's witness, would they favor with going ahead with this agreement and implementing it right now, or do they oppose it?

Mr. PERLE. We are told, Senator, that there exists, on the part of the administration, sufficient confidence in the undertaking so that it is safe to go forward. I don't think the Defense Department, under the circumstances, would oppose.

Senator GLENN. Would the administration oppose?

Mr. PERLE. I don't think they have done it the way you have, to be frank about it.

Senator GLENN. I don't either. I know I am putting you on the spot here, but I do that only because I want to put you on the spot.

Mr. PERLE. But they make a case that is sufficient from the standard that exists in going forward. You are going to have to make that case for yourself. I prefer things to be a little neater and tighter.

Senator GLENN. I defer to the chairman. We both have made our case on this. It is awaiting action in the Foreign Relations Committee right now. I haven't seen much activity on our particular proposals, but I think we have to get action going over there. I think we have 90 days, as I recall, to approve or disapprove of that. I want to see us spelling out the ambiguities in there so we don't have a situation comparable to the one with India. I am sure you recall the situation a few years ago when we were led down a primrose path in India in terms of what they were doing with our heavy water and things like that.

We don't want to see a similar relationship like that with China. Let's get this thing started off on the right base. I'm sure the Defense Department agrees we should not be transferring technology without that kind of protection.

Thank you, Mr. Chairman.

Chairman **Roth**. Thank you, Senator Glenn. I would just underscore what the Senator said. There is bipartisan concern here. I would hope that the Defense Department would take an active look and interest in this matter. Otherwise, I think that stays the proceeding.

Senator **Glenn**. Mr. Chairman, if I might just add one other statement here, one of these newspaper reports says that China, in this sting operation where they were trying to get state-of-the-art military technology, that there was approximately a billion dollars' worth of missile guidance radar jamming gear that they were after.

They were brought to court, and it has been reported by the Daily Trib and the L.A. Times and the New Jersey Star Ledger. So I think we have that to go on as far as what the intent of the Chinese is.

If they can't get the information, they are going to set up their own ring to get them. I think we have to watch for them.

Mr. **Perle**. I think it is entirely possible of the Chinese intelligence operations not being informed that we have so liberalized our trade policy with China that they probably could have obtained what they wanted through a formal, legal transaction. I favor that liberalization with respect to the Republic of China, because it seems to me they do not, for the foreseeable future, pose a threat the way the Soviets do to the United States and our principal allies, and some strengthening of the Chinese ability to defend themselves on the Eurasian land mass is probably in our interest, and the Defense Department has favored the liberalization.

The nuclear question is another question. The concern there is, as you well know, whether assistance to China will, in the end, indirectly become a source of assistance to proliferators. That, I think, would be a very bad result. I believe and hope that we are adequately protecting that.

Senator **Glenn**. I agree with everything you just said. I would want to see our relationship with China expand, too. I have a long relationship with the Chinese going back to when I lived there for about 6 months at the end of World War II at an air base out in what is now Bejing.

That is what prompted my interest in the Far East. I have been back to China many times since then. I shared that interest with your former boss Scoop who, of course, had a long relationship with China, and his wife, Helen, also.

But as we expand this relationship with China, let's learn from some of our past mistakes and do it right and not fall all over ourselves doing business with China in this nuclear area. We should learn from some of our previous experience and set up the proper relationship, acknowledged on both sides, not just the United States saying what it is, but acknowledged on both sides so we go ahead on a firm foundation.

That is the way we build a good relationship into the future, not with ambiguities and hoping that some difficulty doesn't come up, because you can bet that the difficulties are going to come up. I just think it is very important that we get started off on the right basis with this as well as be concerned about science and technology transfer on that basis with the Chinese as we are with regard to the Soviet Union. Thank you much.

Chairman **Roth**. Thank you very much. We appreciate it.

Mr. **Perle**. Thank you.

[Mr. Perle's prepared statement follows:]

STATEMENT OF RICHARD PERLE
ASSISTANT SECRETARY OF DEFENSE
FOR
INTERNATIONAL SECURITY POLICY

MR. CHAIRMAN, IT IS A PLEASURE FOR ME TO APPEAR BEFORE THE SUBCOMMITTEE THIS MORNING EVEN IF I FIND MYSELF ON THE OTHER SIDE OF THE TABLE. I BELIEVE THAT I HAD SOMETHING TO DO WITH LAUNCHING THE INQUIRY OF THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS IN THE AREA THAT IS THE SUBJECT OF TODAY'S HEARING WHEN, SOME YEARS AGO, I WAS PRIVILEGED TO WORK FOR SENATOR HENRY M. JACKSON. THIS WAS A SUBJECT OF IMMENSE INTEREST TO SCOOP AS IT IS TO ME. AND I LIKE TO THINK THAT IN BOTH BRANCHES OF GOVERNMENT THERE ARE THOSE WHO WERE INSPIRED BY HIM AND WHO HAVE CONTINUED HIS INTEREST IN SUCH NATIONAL SECURITY ISSUES AS THE TRANSFER OF SENSITIVE TECHNOLOGY FROM WEST TO EAST.

IN CORRESPONDENCE WITH THE COMMITTEE, I WAS ASKED TO COMMENT ON THE PAPER INTRODUCED BY SECRETARY WEINBERGER LAST MONTH ENTITLED: "SOVIET ACQUISITION OF MILITARILY SIGNIFICANT WESTERN TECHNOLOGY: AN UPDATE." THIS REPORT IS THE PRODUCT OF A GOVERNMENT-WIDE EFFORT WHICH INVOLVED 22 AGENCIES.

THE REPORT OUTLINES "MASSIVE AND GLOBAL" PROGRAMS OF THE SOVIET UNION DESIGNED TO IMPROVE THEIR MILITARY SYSTEMS. IT SHOWS THAT THE PROBLEM IS EVEN MORE SERIOUS THAN WE PREVIOUSLY BELIEVED. WHILE THE REPORT IS FOCUSSED ON SOVIET ACTIVITIES IN THE UNITED STATES, IT SHOULD BE CLEAR TO ALL THAT SIMILAR EFFORTS BY SOVIET BLOC INTELLIGENCE SERVICES ARE IN FULL SWING IN ALLIED AND FRIENDLY COUNTRIES.

THIS REPORT SHOWS HOW THE SOVIETS VIEW THEIR OWN PROGRAM. IT IS A COMPILATION AND DISTILLATION OF INFORMATION THAT SHOWS

US HOW THE SOVIETS ARE OPERATING.

THIS PORTRAIT OF THE SOVIET PROGRAM IS GRAPHIC. ITS EDGES ARE HARD AND THERE IS NO REASON TO SUGARCOAT THE REALITY: THE FREE WORLD TODAY IS CONFRONTED WITH THE MOST AUDACIOUS, WELL-RUN CAMPAIGN IN MODERN HISTORY OF ILLEGAL TRADE DIVERSIONS, ESPIONAGE, AND ACQUISITIONS OF PUBLICLY AVAILABLE INFORMATION.

THE PROGRAM EMPLOYS THOUSANDS OF WARSAW PACT INTELLIGENCE OFFICERS, SCIENTISTS, DIPLOMATS, MILITARY PERSONNEL AND ESPIONAGE AGENTS. AND IT MAKES ABUNDANT USE OF UNSCRUPULOUS WESTERN COLLABORATORS. MOREOVER, THE SOVIETS TASK AND BENEFIT FROM THE PRODUCT OF EASTERN EUROPEAN INTELLIGENCE ORGANIZATIONS.

THE SOVIET PROGRAM TO ACQUIRE OUR TECHNOLOGY HAS TWO MAJOR ELEMENTS:

FIRST, THE SOVIETS HAVE OBTAINED THOUSANDS OF PIECES OF WESTERN MILITARY AND EXPORT-CONTROLLED HARDWARE AND TENS OF THOUSANDS OF CLASSIFIED, UNCLASSIFIED, AND CORPORATE PROPRIETARY DOCUMENTS. THEY EXPLOIT THEM TO RAISE TECHNICAL LEVELS OF SOVIET WEAPONS AND MILITARY EQUIPMENT.

HEADING THIS EFFORT IS THE DIRECTOR OF THE SOVIET MILITARY INDUSTRIAL COMMISSION, THE VPK. THAT COMMISSION IS THE MOST POWERFUL MILITARY INDUSTRIAL BODY IN THE SOVIET UNION. IT IS MADE UP OF THE DIRECTORS OF THE KEY DEFENSE MANUFACTURING MINISTRIES. THE VPK TELLS THE KGB AND ITS MILITARY COUNTERPART, THE GRU, WHAT ITS INDUSTRIES NEED FROM THE WEST TO MAKE SOVIET WEAPONS BETTER. THE STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY, THE GKNT, COORDINATES THE SHOPPING LIST OF ILLEGAL ACQUISITIONS

POSTER

AND THE USE OF WESTERN TECHNOLOGY IN THESE INDUSTRIES.

THE SECOND ELEMENT OF THE SOVIET COLLECTION SYSTEM IS RUN THROUGH THE MINISTRY OF FOREIGN TRADE AND THE INTELLIGENCE SERVICES. ITS PURPOSE IS TO ACQUIRE THOUSANDS OF PIECES OF MICROELECTRONICS MANUFACTURING AND TEST EQUIPMENT, COMPUTERS AND OTHER EXPORT-CONTROLLED EQUIPMENT AND DIVERT IT INTERNALLY FOR MILITARY PURPOSES. HARDWARE OBTAINED THROUGH THIS METHOD VIOLATES OUR EXPORT CONTROL LAWS AND THAT OF OUR ALLIES. IT IS USED DIRECTLY IN THE SOVIET PRODUCTION LINES TO MAKE THEIR BACKWARD DEFENSE FACTORIES MORE EFFICIENT.

AS THE REPORT SHOWS, THE SOVIETS ESTIMATE THAT MORE THAN 5000 OF THEIR MILITARY RESEARCH PROJECTS HAVE BENEFITTED SIGNIFICANTLY EACH YEAR DURING THE FIRST HALF OF THIS DECADE FROM ACQUIRED WESTERN TECHNOLOGY. THIS IS AN ASTOUNDING STATISTIC. IT SHOWS THAT THE FREE WORLD IS SUBSIDIZING THE SOVIET MILITARY BUILD-UP.

POSTER

THROUGH THIS SYSTEMATIC LOOTING OF WESTERN SECRETS MOSCOW HAS SAVED TENS OF THOUSANDS OF MAN YEARS OF SCIENTIFIC RESEARCH EFFORT.

THE SOVIETS ESTIMATE THAT THE THREE TECHNICAL AREAS WHICH BENEFITTED THE MOST FROM OUR TECHNOLOGY ARE ELECTRONICS, ARMOR AND ELECTRO-OPTICS, AND AVIATION. THE INFUSION OF FREE WORLD KNOW-HOW TO SOVIET SYSTEMS IS PARTICULARLY IMPORTANT, SINCE THIS KIND OF ADVANCED TECHNOLOGY AND INNOVATIVE DESIGN CONCEPTS PLAYS A SIGNIFICANT ROLE IN OUR MODERN WEAPON DEVELOPMENT PROGRAMS.

POSTER

I would like to point out some specific examples of Soviet uses of Western technology.

The first is the MIG-29 Fulcrum. The improvements to its look-down shoot-down radar system are the direct product of U.S. research and development and an espionage success story.

POSTER & DAMAGE ASSESS.

The second is the Soviet space shuttle. The Soviets have amassed thousands of our openly available documents and made a virtual copy, saving themselves many years of military developmental effort.

POSTER & DAMAGE ASSESS.

A new torpedo they are developing for their most advanced submarines includes U.S. know-how from the Mark 48 torpedo program.

POSTER & DAMAGE ASSESS.

The Soviets are also developing a new laser-guided artillery shell using some of the technologies from the U.S. Copperhead system.

POSTER & DAMAGE ASSESS.

The KGB acquired some of the documents from our laser program and are using our ideas to develop a Soviet space-based chemical laser weapon.

POSTER & DAMAGE ASSESS.

In addition to these military related hardware and document acquisitions, the Soviets have acquired many thousands of pieces of Western microelectronics manufacturing equipment and hundreds of computers for their military programs. The Soviets use unscrupulous businessmen to divert such export-controlled equipment into the USSR through virtually every country in the world.

POSTER & DAMAGE ASSESS.

This report makes clear that the efforts we and our allies

ARE MAKING TO STOP SOVIET ACQUISITIONS ARE MORE THAN JUSTIFIED. WITHOUT THOSE PROGRAMS THE SITUATION WOULD BE EVEN WORSE. THE TECHNOLOGICAL LEAD UPON WHICH THE FREE WORLD'S DEFENSES DEPEND WOULD BE DANGEROUSLY SMALL.

THERE ARE MANY STEPS WE HAVE TAKEN DURING THE TENURE OF THIS ADMINISTRATION TO MAKE THE SOVIET ACQUISITION JOB MUCH MORE DIFFICULT AND, IN SOME CASES, IMPOSSIBLE. THE UNITED STATES HAS IMPROVED ITS EXPORT CONTROL SYSTEM TENFOLD IN THE PAST FIVE YEARS, WE HAVE ESTABLISHED A CREDIBLE EXPORT ENFORCEMENT PROGRAM WHICH HAS BEEN AND CONTINUES TO BE A FORCE TO BE RECKONED WITH BY THOSE WHO TRY TO DIVERT OUR TECHNOLOGIES.

MOREOVER, WE CONTINUE TO WORK WITH OUR ALLIES AND OTHER FRIENDLY COUNTRIES TO ENSURE THAT THE FREE WORLD'S TECHNOLOGICAL LEAD IS NOT ERODED SO THAT OUR YOUNG PEOPLE IN UNIFORM DO NOT HAVE TO FACE OUR OWN WEAPONS IN THE BATTLEFIELD.

IT SHOULD BE CLEAR TO EVERYONE THAT BLUNTING THE SOVIET OPERATION IS A MULTI-FACETED AND COMPLEX EFFORT MADE EVEN MORE DIFFICULT BY THE EXTREME OPENNESS OF OUR WESTERN TRADING SYSTEMS, TOO MUCH LAXITY IN OUR LEGAL SYSTEMS AND, TO A CERTAIN EXTENT, LACK OF UNDERSTANDING AND SYMPATHY WITH THE NEED TO PROTECT SECURITY.

MR. CHAIRMAN OUR GOAL SHOULD BE TO COUNTER THE DOMESTIC ASPECT OF THIS THREAT BY STRICTLY LIMITING THE NUMBERS AND ACTIVITIES OF WARSAW PACT VISITORS TO THE UNITED STATES TO A MANAGEABLE DEGREE.

As part of this overall effort to reach this goal, you and Senators Cohen and Leahy should be commended for acceptance of your respective amendments restricting the travel priviledges of Soviet personnel at the U.N. and requiring numeric parity of diplomatic representation with the Kremlin.

In considering future changes to our statutes, regulations and policy, I would add that we should not differentiate between members of the Warsaw Pact for purposes of developing methods to counter the domestic espionage technology threat to the American people.

Clearly we have seen that technology secrets acquired by non-Soviets eventually end-up in Soviet weapons systems. Mr. Bell and the look-down, shoot-down radar acquired by the Poles is a good example. If we do not, therefore, address each of these governments in the same manner, we would be deluding ourselves and the American people.

Secondly, I would strongly advocate that appropriate changes be made to our statutes and regulations to prevent Warsaw Pact nationals from manipulation of our free economy by using their front companies to run technology espionage operations.

Warsaw Pact companies incorporated in the U.S. can legally obtain U.S. unclassified, but still militarily critical, dual-use technology and study it without actually violating U.S. export controls unless they attempt to export the equipment and data from the U.S. without a license.

Furthermore, Warsaw Pact nationals who work for these

COMPANIES ARE NOT SUBJECT TO TRAVEL RESTRICTIONS AS AMERICAN BUSINESSMEN ARE IN EASTERN EUROPE AND THE SOVIET UNION. BY OPERATING AS LEGITIMATE BUSINESSES, THESE COMMERCIAL OFFICIALS CAN LEGALLY OBTAIN CREDIT INFORMATION ON VULNERABLE AMERICAN EXECUTIVES AND FIRMS, VISIT MILITARY SITES, ACQUIRE SENSITIVE TECHNOLOGY, AND RECRUIT SPIES.

CLEARLY THIS IS A SERIOUS FLAW IN OUR STATUTORY SCHEME WHICH MUST BE REMEDIED WITH ALL DELIBERATE SPEED. OTHERWISE, CAN WE HONESTLY RELY ON SUCH WARSAW PACT FIRMS AS POLAMCO AND AMTORG, BOTH OF WHICH HAVE ALREADY BEEN INVOLVED IN NUMEROUS ESPIONAGE INVESTIGATIONS, TO ABIDE BY U.S. NATIONAL SECURITY EXPORT CONTROLS? I THINK NOT.

MR. CHAIRMAN, SENATORS, THANK YOU AGAIN FOR THE OPPORTUNUITY TO APPEAR BEFORE AND CONTRIBUTE TO YOUR EFFORTS TO REVEAL THE NATURE AND SCOPE OF THE WARSAW PACT TECHNOLOGY ESPIONAGE PROBLEM. I WOULD NOW LIKE TO ENTERTAIN ANY QUESTIONS YOU MIGHT HAVE.

Chairman Roth. This will conclude our first day of hearings.

Senator Glenn. Mr. Chairman, I would ask unanimous consent that we might select certain of these things to be entered into the record.

Chairman Roth. Without objection.

[The newspaper article was marked exhibit No. 1 and follows:]

EXHIBIT NO. 1

[From the Newark Star Ledger, Feb. 14, 1984]

Spy Ring Shipped Much to China Before "Sting"

(By Robert Rudolph)

Authorities revealed yesterday that a high-tech international "spy" ring—aided by a New Jersey computer expert—successfully smuggled millions of dollars of top-secret military equipment to the People's Republic of China before being trapped in a government "sting" operation.

Officials confirmed yesterday that members of the organization boasted to federal undercover agents that they already had acquired a wide array of "state-of-the art" military technology that is believed to have been secretly shipped out of the country to contacts in Hong Kong.

Authorities made the disclosure during a court hearing in Newark in which a federal magistrate ordered five suspected members of the smuggling operation jailed in lieu of bail ranging up to $1.5 million.

Among those held was Kuang-Shin Lin. A 38-year-old computer science expert from Lincroft who is employed by American Telephone and Telephone Co. (AT&T) Information Systems.

Lin, a naturalized U.S. citizen who was born in Taiwan, was ordered detained on $750,000 bail by U.S. Magistrate G. Donald Haneke after authorities portrayed him as a key member of the smuggling ring, who they said acted as a "go-between" with Chinese contacts and was "in it for the money."

At the same time, authorities revealed that there were secret tape recordings in which one of other key figures—a Hong Kong businessman who authorities claimed transacted some $25 million a year in high-tech business with the People's Republic of China—had boasted of having high ranking family connections within the Red Chinse government, and bragged of overseas financing.

The suspect, Da-Chuan Zheng, 41, who spoke with the aid of an interpreter, denied having government connections, but was ordered by Haneke held in lieu of $1.5 million.

Assistant U.S. Attorney Andrew K. Ruotolo, Jr.—the federal prosecutor in charge of the case—revealed yesterday that the suspects had "virtually criss-crossed the country" seeking classified hightech military supplies before being lured into a sophisticated trap baited by an undercover government agent.

All five suspects, which included two who were born in Red China and had become U.S. citizens, were arrested Saturday night in Shrewsbury as they were attempting to close a $1 million deal for the purchase of sensitive military equipment, authorities said.

"The suspects, who were charged with conspiracy and violations of the Federal Arms Export Control Act, had been trapped as part of an undercover government operation code-named "Operation Exodus" in which a Customs agent posed as a potential supplier of high-tech military equipment.

Ruotolo said the organization, which he described as "well financed," had made other contacts in Boston, Virginia and California in attempts to secure similar strategic materials.

The prosecutor said information obtained by U.S. Customs Service agents who coordinated the investigation, indicated that the suspects had scheduled meetings in the Boston area yesterday to negotiate additional purchases.

Ruotolo said audio and videotape recordings made by undercover agents disclosed that the suspects already had successfully obtained classified materials for several military defense systems.

The prosecutor refused to elaborate on the nature of the materials, but sources confirmed that the devices related to six separate "state-of-the-art" military units, including equipment designed to jam, radar and missile guidance systems and to pinpoint ground fire locations.

The devices, sources said, would permit users to evade ground-to-air defense systems and to launch "strike-back" attacks against the sources of ground fire.

In addition to such equipment, authorities said the organization was also seeking sophisticated "night vision" equipment which enables military forces to scan for enemy forces in almost total darkness.

Sources said it was not known how much of the materials had already been smuggled out of the country, but added that they believed it to have been in the "million of dollars."

Most of the materials were described as "essential components" of larger systems, some of which are so secret, even their technical specifications are regarded as classified.

"You don't just come here and buy the whole system," one source explained. "You try to buy the essential components that you need to construct it."

Ruotolo had claimed in court that if the suspects actually obtained the material sought from the undercover agent, the transaction would have "presented a serious threat to our national security."

In addition to Lin and the Hong Kong businessman, also charged was David Tsai, 30, of Queens, N.Y., a naturalized U.S. citizen born in the People's Republic of China. Tsai was described as an employe of the Chase Manhattan Bank and the owner of a trading company set up to facilitate the purchase of high-tech goods.

Others included Kwong Allen Yeung, 34, of Cortland, N.Y., the owner of a local restaurant and the vice president of Tsai's trading firm.

Both suspects were ordered held in $750,000 bail.

Authorities also charged Zheng's sister-in-law, Jing-Li Zhang, 33, a representative of a Chinese business magazine, who authorities said was a participant in the negotiation with the undercover agent. Zhang was held on $250,000 bail.

Authorities said Zheng had arrived in New York on Thursday to inspect the merchandise and finalize the purchase.

The smuggling ring was infilitrated more than a year ago, authorities said, after they received a tip that Lin had been making telephone calls attempting to locate sources for military supplies.

Agents, authorities said, were able to videotape many of the meetings between the undercover agent and the suspects in which the negotiations were carried out.

Chairman ROTH. In our next hearing on this subject we will hear from witnesses with particular expertise on certain of the bloc intelligence agencies. We also expect at that time to have a representative of the State Department Office of Foreign Missions. The committee is in recess.

[Whereupon, at 12:37, p.m., the subcommittee was recessed to reconvene, subject to the call of the Chair.]

FOREIGN MISSIONS ACT AND ESPIONAGE ACTIVITIES IN THE UNITED STATES

TUESDAY, DECEMBER 3, 1985

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The subcommittee met at 10 a.m., in room SD-342, Dirksen Senate Office Building, Hon. William V. Roth, Jr. (chairman of the subcommittee) presiding.

Members of the subcommittee present: Senator William V. Roth, Jr., Republican, Delaware; Senator William S. Cohen, Republican, Maine; Senator Sam Nunn, Democrat, Georgia; Senator John Glenn, Democrat, Ohio; Senator Carl Levin, Democrat, Michigan; and Senator Albert A. Gore, Jr., Democrat, Tennessee.

Members of the professional staff present: Daniel F. Rinzel, chief counsel; Katherine C. Bidden, chief clerk; John Sopko, assistant counsel; Lenny Willis, minority investigator; Charlie Osolin, press secretary; Mary Vinson, majority investigator; Sallie Cribbs, staff assistant; and David Glendinning, staff counsel.]

[Senator present at convening of hearing: Senator Roth.]

[The letter of authority follows:]

WILLIAM V. ROTH, JR., DELAWARE, CHAIRMAN

TED STEVENS, ALASKA
CHARLES McC. MATHIAS, JR., MARYLAND
WILLIAM S. COHEN, MAINE
DAVID DURENBERGER, MINNESOTA
WARREN B. RUDMAN, NEW HAMPSHIRE
THAD COCHRAN, MISSISSIPPI

THOMAS F. EAGLETON, MISSOURI
LAWTON CHILES, FLORIDA
SAM NUNN, GEORGIA
JOHN GLENN, OHIO
CARL LEVIN, MICHIGAN
ALBERT GORE, JR., TENNESSEE

JOHN M. DUNCAN, STAFF DIRECTOR
MARGARET P. CRENSHAW, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
SENATE PERMANENT SUBCOMMITTEE
ON INVESTIGATIONS
WASHINGTON, DC 20510

SUBCOMMITTEE
WILLIAM V. ROTH, JR., DELAWARE, CHAIRMAN
WARREN B. RUDMAN, NEW HAMPSHIRE, VICE CHAIRMAN

CHARLES McC. MATHIAS, JR., MARYLAND
WILLIAM S. COHEN, MAINE
THAD COCHRAN, MISSISSIPPI
TED STEVENS, ALASKA

SAM NUNN, GEORGIA
LAWTON CHILES, FLORIDA
JOHN GLENN, OHIO
CARL LEVIN, MICHIGAN
ALBERT GORE, JR., TENNESSEE

DANIEL F. RINZEL, CHIEF COUNSEL
ELEANORE J. HILL, CHIEF COUNSEL TO THE MINORITY

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any Member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with hearings on Soviet Intelligence Apparatus, to be held October 22, December 3 and 5, 1985.

Bill Roth
Chairman

Ranking Minority Member

OPENING STATEMENT OF CHAIRMAN ROTH

Chairman ROTH. Since our first day of hearings, we have heard reports that the administration is considering steps to restrict the movement and activities of hostile intelligence services who operate under different guises in this country. While these reports are encouraging, actual and effective implementation of such restrictons, combined with a better informed public, are critical to safeguarding the national security.

Moreover, as a result of agreements reached at the recent summit conference in Geneva, cultural and student exchanges with the Soviet Union will increase, and while such increased exchanges should be applauded, safeguards must be implemented to ensure as far as possible that we are not simply increasing the allotment of Soviet spies in the United States.

Today, we will hear more specifically how that data is gathered, how operations are undertaken, and how, where the Soviets are themselves restricted in their movements, they have merely to call upon surrogate nations to accomplish their mission.

As noted in our first hearing, the Foreign Missions Act authorizes the State Department to impose travel controls and other measures to regulate the activities of foreign diplomats whose presence poses a potential threat to our national security. Despite repeated espionage cases involving European diplomatic personnel, the State Department has thus far failed to place any significant restrictions on the travel of foreign personnel, other than that of the Soviet Union.

Clearly, present travel regulations are not fully effective. It does little good to restrict the movements of certain Soviet diplomats and consular personnel, yet allow unmonitored access to the entire country by those who, the record reflects, work at the direction of Moscow.

I look forward to the expert testimony we will hear today as we build a record for the introduction of legislation that will help assist in reducing the threat posed by hostile government agents and so preserve the freedom of America.

We are very pleased to have as our first witness Senator Moynihan. Will you please come forward?

Senator Moynihan, of course, was vice chairman of the Intelligence Oversight Committee. He has served as Ambassador to the United Nations, so he comes here with an expertise rarely rivaled.

Before we proceed, let me turn to Senator Gore who, I think, has an opening statement.

Senator GORE. I don't have an opening statement, Mr. Chairman, but I do want to commend you and the ranking minority member of the subcommittee, Senator Nunn, for the activities of this subcommittee and this investigation, in particular.

I also want to commend our colleague, Senator Moynihan, who has offered the Senate, and the country leadership on this issue. As a former member of the House Intelligence Committee, I devoted a good deal of time, during the 4 years I served on that committee, to the problems of counterintelligence.

One problem which really struck me as very serious and has not been adequately addressed was the fact that the spies in the employ of the Eastern bloc countries don't merely work with the KGB; they work for the KGB, and to treat the diplomatic personnel of these countries on a different basis as diplomatic personnel of the Soviet Union is kind of ridiculous.

I think this particular investigation can have very beneficial effects. I look forward to participating in the hearings.

Thank you.

Chairman ROTH. Thank you, Senator Gore.

Senator Moynihan, under the subcommittee rules everybody is sworn so if you don't mind, would you please stand and raise your right hand?

Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Senator MOYNIHAN. I do.

TESTIMONY OF HON. DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM THE STATE OF NEW YORK

Chairman. ROTH. Thank you.

Again, we are very pleased to have you here today and look forward to your testimony. Please proceed.

Senator MOYNIHAN. Thank you, Mr. Chairman, Senator Gore. I have a statement, sir, which I would like to submit for the record, if I may.

Chairman ROTH. Without objection.

Senator MOYNIHAN. I would like to proceed directly to some of the subjects you raised and with just a bit of background, and then respond to any questions you might have.

If I might first offer an anecdote from an earlier period, you mentioned that I was once our Ambassador to the United Nations, to which past President Ford appointed me in June 1975. It would be just 10 years ago and some months.

Shortly after I was appointed, I got a message from the then Vice President of the United States, Nelson Rockefeller. He asked if he could see me when I was next in Washington, and of course, that was something I directly did. He took me into a back room he had over in the Executive Office Building, and he ordered coffee, closed the doors. He said, "Now, I have something I have to tell you that you must take with great seriousness. You are going to be the U.S. Representative at the United Nations, and you have to know that every word you say on the telephone will be listened to by the Soviet mission."

He said, "In the Waldorf Towers, in the U.S. mission, they will be listening to your phone calls, and you must be extremely careful."

Well, sir, I thought he was telling me a deep secret—such that I didn't even tell my wife, which those who have been around this system know is not usual. There came a time some months later when we began to get the first feelers from Arkady Shevchenko, the then Under Secretary General of the United Nations, that he might wish to defect to the United States. It would be, and was when it happened, the highest level defection we have ever had.

I was terrified of using even an intercom to discuss such matters. I made telephone calls in subway stations to avoid any interception by the Soviets. Indeed, in time, when Mr. Shevchenko came over and worked for us, and then published his recent book, he described a younger man arriving at the Soviet mission and going out to Glen Cove, Long Island. Each such visit brought more telephone interception equipment stuffed in the garages and the attics, and finally the bedrooms, all listening in on American telephones.

Now, the point of my remarks, sir, is that I thought Vice President Rockefeller was telling me a secret. It wasn't until the last 6 months that I realized that as chairman of a Presidential Commission on the Central Intelligence Agency, he had published this fact a month before he told it to me. I can only assume that he decided that you would pay more attention if you were told something was a secret than if it was just printed and passed out for anybody to real. Then Governor Reagan was a member of that Commission.

This eavesdropping is something we have known about for 10 years, sir, and have been strangely passive about. When I came here in 1977 as a Senator, I introduced legislation that directed that if the President determines that this is taking place, and telephone conversations of U.S. citizens are being intercepted illegally by foreign missions, he should notify that mission that this is going on, and say, "Stop it." And if, in 90 days, they don't stop it, the President shall declare the people involved persona non grata and throw them out of the country.

I remember this with some acuteness. In the summer of 1977, we enacted the Foreign Intelligence Surveillance Act, in which we established, as this honorable committee knows, a special panel of Federal judges that could authorize the FBI to intercept telephone calls when they believe the foreign mission is involved in espionage.

You have to go to a Federal judge to get the right to do that, and the Congress is told each year how many times this has been permitted.

But a foreign mission could intercept your telephone calls at any time with no permission. They don't go to Federal judges. The Czech mission and the Bulgarian mission do not apply to a Federal judge for the permission to listen to the telephone conversations of Judge Roth and Senator Roth. They do that on their own.

I remember at the White House saying: Here we are going through this great ritual of protecting the fourth amendment rights of Americans from their own Government, where, six blocks away, at the Soviet mission, they are violating them wholesale.

[At this point Senator Glenn entered the hearing room.]

Senator MOYNIHAN. They violate them in New York, in the Riverdale section of the Bronx. They have a 20-story building that has a communications tower. They are now going to have one of the highest sites in Washington for their embassy, Mount Alto, which had direct visual contact with the windows on the north side of the White House.

In the meantime, Mr. Chairman, through 9 years of tying to get legislation approved, which just gives the President the right to declare the people involved in eavesdropping persona non grata and throw them out of the country if he thinks he should; if he doesn't so think it is in the interests of the United States, he needn't. Without exception, the previous administration and the present administration, have said: No, we can't do this without explaining why, and you know the reasons why, and Senator Gore and Senator Glenn know the reasons why. They are not sufficient.

[At this point, Senator Cohen entered the hearing room.]

Senator MOYNIHAN. The point came when, in open testimony, when as a member of the Intelligence Committee, I asked the then general counsel of the Central Intelligence Agency, "Well, now, aren't the Soviets violating the fourth amendment rights of Americans when they intercept telephone conversations?"

And he said, "No, no, they aren't."

And I said, "Well, sir, how is that that they aren't?"

He said, "Well, Senator, the fourth amendment only protects you against invasions or privacy by your own Government."

Well, this is an invitation to contempt by foreigners, and I would make two other points: First, the FBI is tired of this and wants to see it stopped. Judge Webster is particularly of that view. A month ago, I guess it would be that, or 6 weeks, I attached to the Justice Department appropriation, by amendment, a proposal that of the $2 billion odd the FBI has in this appropriation, $1 million would be specifically assigned to countering telephone interceptions by foreign missions and that the FBI would report to us next June on what they found the situation to be. Every member of this panel and this committee voted for that. It passed 96 to 1. It is the first time we have had the FBI say: Yes, go ahead and do it. It doesn't matter what the other agencies say. The NSA is also of this view, Mr. Chairman.

But it remains a fact that the primary response of the Government to the interception of telephone calls by Soviets, the Czechs, the Bulgarians, of these cases, about which there can be no question, has been to protect the Government and not the public; to say: We will bury our cables.

Under the Carter administration, they began burying telephone lines that leave Washington and go to Defense contractors. As you know, telephone lines, as Senator Glenn could tell us with great detail, do more than transmit voice communications. You can send blueprints; just about anything you can devise in the way of information can be transmitted on a telephone line, and so they began burying telephone lines to defense contractors, burying telephone lines from White House officials, but leaving everyone else exposed.

Just in conclusion, if I can, Mr. Chairman, I would like to offer for the record a picture. Here is a picture of the STU-3. It is called the Secure Telephone Unit 3, STU-3.

[The picture referred to was marked exhibit No. 2 and follows:]

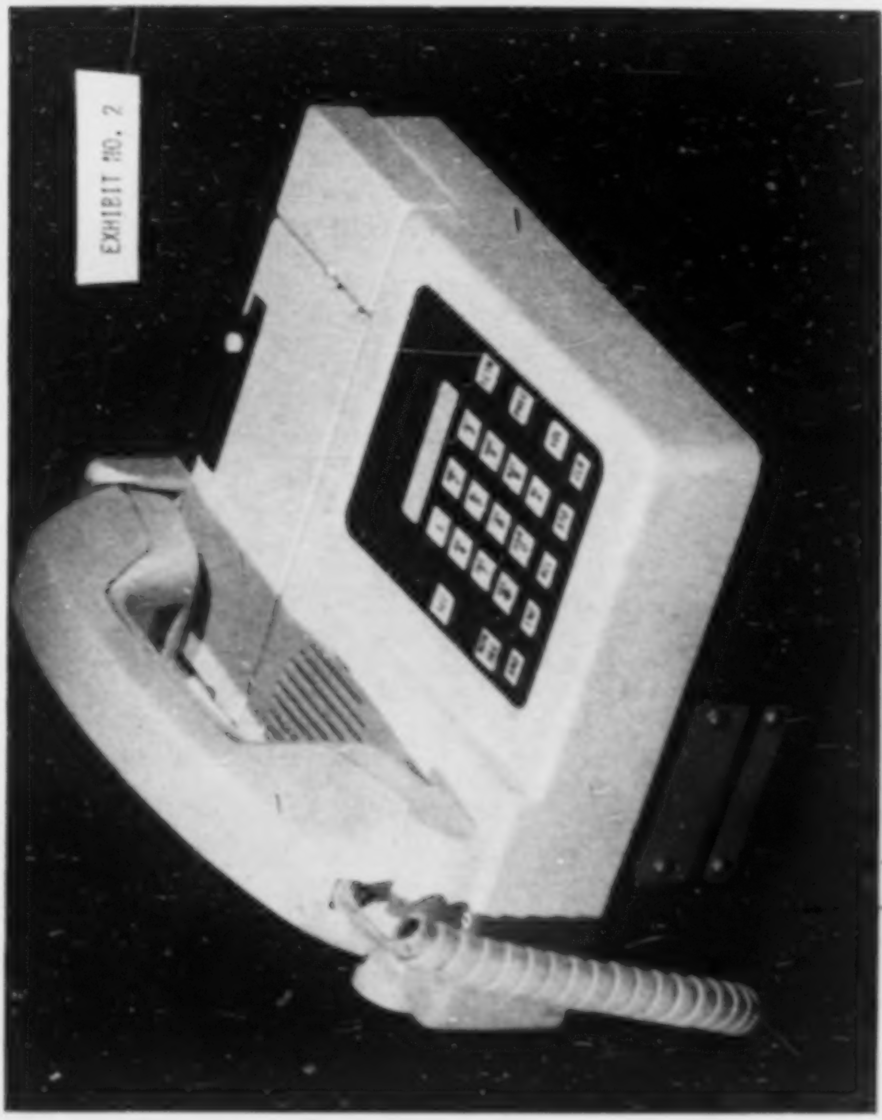
EXHIBIT NO. 2

Senator **Moynihan**. The Federal Government is in the process of ordering 500,000 of these. They cost $2,000 apiece; 500,000 to protect us, protect Government, military contractors, and some private companies from the illegal invasion of communications by the Soviet Union or the Chinese or whom you will, instead of telling the Soviets, "Stop that, don't do it, it's against the law. If the American Government can't do it, then you can't do it, it is just as simple as that."

If I could put this into the record, a letter from the GAO, which we have on the program——

Chairman **Ruth**. Without objection.

[The letter was marked exhibit No. 3 and follows:]

EXHIBIT NO. 3

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-220762

OCT 15 1985

The Honorable Glenn English
Chairman, Subcommittee on Government
  Information, Justice, and Agriculture
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

Subject: Concerns Regarding the National Security Agency Secure Telephone Program (GAO/NSIAD-86-7)

On September 24, 1984, you requested that we evaluate the use of TEMPEST and similar technologies--such as secure telephones--for the protection of national security information. As requested by your office on July 26, 1985, this letter identifies the major issues regarding secure telephones that we have identified to date.

The STU-II is the secure telephone in use today. These telephones are to be replaced by lower cost STU-III telephones. Development contracts for the STU-III telephones were awarded in March 1985 to AT&T, Motorola, and RCA to develop an easy to use, low cost (target price about $2,000) secure telephone, deliverable by early 1987. Current plans are to award production contracts to all three contractors (if they successfully develop a product) in March 1986, with deliveries to begin in April 1987. The number of units awarded to each contractor will depend on their price and degree of success in performance tests. A contract has also been awarded to GTE Sylvania for systems integration and testing. The total cost to the government for this developmental effort is about $82 million.

This program is very unique because, in addition to having applicability to national security information, this secure telephone will also have a commercial market, that is, banks, brokerage firms, and other businesses interested in securing their communications. The three developmental contractors perceive this commercial market to be quite large. It is anticipated that this large commercial market will benefit the government by effecting a reduction in the unit price.

The following are the major issues we are pursuing regarding the secure telephone program.

1. Whether the government should continue purchasing higher cost STU-II telephones when lower cost STU-IIIs will be available in a short time.

2. Whether the criteria being developed to justify the number of new secure telephones government agencies will be purchasing is appropriate.

3. Whether secure telephones purchased directly by defense contractors on a reimbursable basis will cost more than if these units are provided to the contractors as government furnished equipment.

ADDITIONAL ACQUISITION OF STU-IIs IS QUESTIONABLE

The STU-II was developed and is currently being produced by ITT. Over 4,000 units have been delivered to date. The unit price for these telephones has ranged from about $17,000, initially, to about $12,000 today.

In April 1984, a production contract was awarded to Bendix as a second source and to provide competition. The unit price under ~~this~~ contract is expected to be about $8,000. Deliveries are currently scheduled to begin about September 1986, and continue for about 2 years, provided Bendix is successful in producing a viable product. The total cost of this contract, for about 3,400 STU-IIs, is over $34 million.

In addition to the above contracts, the Department of Defense (DOD) was planning to award an additional contract in December 1985 for STU-IIs and an initial production contract for the STU-IIM. The STU-IIM is the militarized version of the STU-II. After our inquiries, DOD has decided to cancel these procurements because deliveries from these contracts would not begin until about the same time as the STU-IIIs. This decision will save over $300 million.

A recent decision was also made to continue deliveries of STU-IIs from the present contracts with ITT and Bendix. According to the National Security Agency, deliveries of these STU-IIs are necessary to satisfy urgent requirements for secure communications. Proposed plans are to cut-off installation of STU-IIs around November 1986, about 6 months before the scheduled first deliveries of STU-IIIs.

However, deliveries of STU-IIs from the Bendix contract are not currently scheduled to begin until September 1986 which is only 2 to 3 months before the planned installation cut-off date. Thus, only a small number of the Bendix deliveries would be made before the installation cut-off date. There will be no need for the much larger number scheduled to be delivered after November 1986. It is also unlikely that alternative uses will be found for them.

CRITERIA FOR DETERMINING THE NUMBER OF NEW PHONES NEEDED

DOD has established three priorities for the use of the new secure telephones (STU-IIIs). The first and second priorities state that these telephones are to be used to protect classified voice and data communications. The third stated priority for use of these telephones is to protect unclassified but sensitive national security related information.

Our major concern in this area focuses on this third priority and the definition of the term: unclassified but sensitive national security related information. A high degree of confusion exists regarding this definition. The National Telecommunications and Information Systems Security Committee, established under National Security Decision Directive 145, is responsible for defining this term.

On June 27, 1985, and September 18, 1985, we testified on this issue before the Subcommittee on Transportation, Aviation, and Materials, House Committee on Science and Technology and the Subcommittee on Legislation and National Security, House Committee on Government Operations. At these hearings, we stated that information considered to be unclassified but sensitive and in the national security interest should be protected. However, we expressed concern that the National Telecommunications and Information Systems Security Committee, which is chaired by DOD, might define this category too broadly. This could result in excessive expenditures to protect unclassified information.

We plan to monitor the progress being made to define this term and the effect it will have on government expenditures.

GOVERNMENT COSTS FROM DIRECT CONTRACTOR PURCHASE OF PHONES ON A REIMBURSABLE BASIS MAY BE EXCESSIVE

Secure telephones purchased directly by defense contractors on a reimbursable basis might cost more than if they are provided to the contractors as government furnished equipment.

Under the present acquisition plans for the STU-IIIs, the National Security Agency will buy an initial large volume of secure telephones for DOD and other government agencies. However, government contractors will be able to buy directly from the telephone manufacturers and charge it to their government contracts as they do for other security equipment.

We believe this arrangement may result in higher unit prices being paid by the government contractors due to their lower volume orders. These higher prices will be borne by the government through the reimbursement method. We plan to examine this issue in greater detail, including an exploration of the advantages and/or disadvantages of providing the telephones to the contractors as government furnished equipment.

We trust that this information meets your immediate needs and we will keep you informed as we gather additional information on these issues. We discussed these issues with responsible agency officials, but did not obtain official agency comments.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Director

Senator MOYNIHAN. GAO estimates the program will cost $82 million. Well, $82 million is, some days, not a large sum around here. But must we spend $82 million to protect the Government from the invasion of telephone conversations by the Soviets, their missions, and satellites, when, by definition, that is illegal? Or we had thought it was illegal, until the general counsel of the CIA said it is not illegal if it is done by a foreign government.

I would simply say, Mr. Chairman, in conclusion, if I have anything to offer this committee, it is that we have been strangely passive about this. Vice President Rockefeller told us about it a decade ago, and our reaction has been wholly protective. And he warned about blackmail. He said blackmail is going to be the consequence, and I don't see how you can assume that there is no connection between the number of spies that have appeared in this country in the last couple of weeks and the fact that the Soviets have been listening to telephone conversations for 10 years, and we haven't ever even so much as said to them, "Please don't."

To the contrary, we gave them the most important site in Washington to carry out these activities, and we have responded by trying to protect Government but not the public. And when you start doing that, you protect the conversations in the office, but you don't protect conversations at home, and pretty soon, you have situations that just invite blackmail, invite espionage.

A final statement—I don't want to weary you with the same thesis—it is fundamentally to be asked: When do we start distinguishing between the rights of the Government and the rights of the people? When did we say the Government will protect itself and leave the people exposed? I mean, that is a distinction that they make in the Kremlin, but when in the devil did we start making it in Washington?

I don't think we have, sir. I don't think anybody consciously makes it, but when you say, "We'll order 500,000 telephones that scramble messages for Government employees so the foreign powers won't be able to hear their conversations, and everybody else is on their own and good luck," that is not exactly protecting the people from enemies and domestic, which is the oath we take. That is my message, sir.

Chairman ROTH. I thank you for bringing your message here, and you certainly very eloquently point out what is an extremely important problem. Let me ask you a couple questions, because I am not quite clear in my own mind, having recognized the problem, how we solve it.

As you say, we know a number of countries are listening in to telephone discussions. As a matter of fact, my wife, Judge Roth and I were talking about this over the weekend. She said, "I hope they enjoy my 16-year-old daughter's telephone calls." Maybe this will provide some opportunity for blackmail, I don't know.

Senator MOYNIHAN. Do we let her use the car? Does she really get that car on Saturday nights?

Chairman ROTH. I hope not; the invasion of privacy is a very serious problem.

But let me ask you this, regarding the question of trying to stop telephone interception. The modern technology used by the Soviets makes this quite difficult, I understand.

It is your suggestion, as I understand it, that we would ask the missions not to be involved in that kind of an operation, although there is a question as to whether any would voluntarily comply. If they fail to comply it is your proposal that we send them home; would that be correct?

Senator MOYNIHAN. Yes, sir, yes sir. The FBI has not hesitated. The FBI doesn't make many public statements about these things. In 1981 the man in charge of the Washington station said 40 percent of the people in the Soviet Embassy, jammed into that building on 16th St., were involved in the interception of telecommunications.

We know who they are. They all have profiles. They all have work histories. It doesn't take a high order of analysis to know who is the radio technician. A distinguished scientist-engineer could do that.

Chairman ROTH. Let me ask you this, Senator, Would you ask that only technicians be sent home? How about those who are supervising, the managers?

Senator MOYNIHAN. Ask them all, Mr. Chairman. These are the constitutional rights of the people of the United States of America.

Chairman ROTH. Let me ask you, would you send the entire mission at home, if necessary?

Senator MOYNIHAN. One at a time. One day at a time, one per day 'til they get the message. It is possible to know when they have this equipment going and when they haven't. You have to think about lasers, now. It has been suggested that lasers can pick up conversations within the White House, a laser beam against a window, and I see Senator Glenn nodding.

How powerful it would have to be, sir, I don't know. You would. But I mean, they are going to have to pull the blinds down in the White House. What kind of country are we? I mean, we wouldn't let our own Government do this. If anybody did it on their own, privately, it's a crime; you go to jail. The only people who do it freely are the Soviets and their satellites.

And we also have to start thinking of protecting the satellite conversations.

Chairman ROTH. That is the next question I was going to ask: What about the listening in from space? Is that a problem?

Senator MOYNIHAN. Sir, if you were to have a closed hearing and ask Walter Deeley from the NSA who heads, if I can say about that man, he told James Burnham of the New York Times about the Soviets, "They are having us for breakfast. We are hemorrhaging. Your progeny may not enjoy the same rights we do today if we don't do something."

Now, the NSA does not go around making speeches, you know that. If you asked them to a closed hearing, he would tell you about technology.

I think the principle is, and again, I defer to John Glenn and the other members of this honorable committee, anything that could be done by technology can be undone by technology. It goads something like that. It is the same principle, weapons and defense, offense and defense.

Chairman ROTH. SDI?

Senator Moynihan. Another committee, Mr. Chairman. May I also say, Mr. Chairman, that the Soviets have a dish, a big dish at Lourdes in Cuba, and I think we have to tend to that, too. Otherwise, they will be able to capture if you will, our telecommunications system, which is more than telephone calls. It's business information; it's defense information; it's whatever we have in the way of privacy in this country, which the Constitution protects against everybody but the totalitarians: Dumb.

Chairman Roth. I would like to turn to a different area because of your background and experience at the United Nations.

The Senate Select Committee on Intelligence, in May of this year, issued a report pointing out that something like 200 of the 800 Soviet citizens working in the U.N. Secretariat were KGB functionaries.

Senator Moynihan. Or GRU.

Chairman Roth. Or GRU, that is correct.

How do we handle that problem? Do you believe the——

Senator Moynihan. Oh, we handle it very well. We pay half their salaries.

Chairman Roth. Absolutely.

Senator Moynihan. They quite literally have shackeled us. They get their checks from the U.N., which we pay a quarter of. They take it to the mission. They deposit it, the dollars, and they get back the equivalent of their Soviet salary, which is about half, or maybe even less. At the higher levels of the U.N., salaries are very high: indeed, are higher than Government salaries here. They never cease to be employees.

Chairman Roth. Of the KGB?

Senator Moynihan. Of their government, whether it's the Czechoslovak or the Chinese or the Soviets, and they get promoted in there, if they do right and so forth.

We have allowed, sir, in the previous administration, not this one, we allowed a man known to be a Soviet KGB lieutenant colonel—we know their ranks, we know their names, we know their serial numbers—we allowed him to be made Chief of Personnel for the United Nations in Geneva, where there are more U.N. personnel than there are in New York.

We let a KGB colonel—mind you, he is only a lieutenant colonel, but that is enough—to take over all their personnel. That is where they do the recruiting and the usual work and business. It is a gyp. It is a direct violation of article 100, section 2 of the charter, nothing to say we don't think it's fair. You just say it's illegal under the charter. We have not said a word.

Chairman Roth. How do we get the U.N. leadership to take seriously this problem? For example, recently, I introduced and a number of people here cosponsored legislation to place these citizens under the same rules that diplomats are under, in the Foreign Missions Act.

That met tremendous opposition on the part of the leadership of the United Nations. They said it was a violation of the charter at one stage.

What can we do? If you were President Moynihan, what would you do to reverse the situation? I think the thing that bothers all of us is that we are aware of the problems and how important they are, but how do we correct it?

I think that if we are going to do anything about espionage, something has to be done.

Senator MOYNIHAN. Right, sir, and you don't, with respect, you don't have to have anything more than a United States mission that insists that the United Nations Charter be abided by, and to the degree it's not abided by, withhold contributions, publish names, be difficult, insist, and the western democracies will stand with us on this.

It's right in the charter, article 100, section 2 says that no government may give any instructions to any national, any member of its nation, who is part of the secretariat, and Shevchenko's book describes this in detail. He would stop at the Soviet mission in the morning to get his instructions. He would go to party meetings. He was in every sense an instrument of Mr. Gromyko and the mission.

May I also say, because this is very important, I would like this committee to hear and the record to hold that the U.S. Government does not do this, and the British Government does not do this. The U.S. Government does not have a single agent in the U.N. Secretariat. Our hands are clean. And one of the problems about our not doing this is, people say, "Well, of course they don't complain about the Russians because they are doing it themselves." That is not so, sir. We are a law abiding country. The charter was written by Americans and Britons. We ought to, if we know, do the same thing as with the telephone interception. If they know that you know that they're breaking the rules and that you do nothing about it, they conclude either, one, you're frightened; or two, you don't care.

Neither is a message we ought to convey, and that's why I think you should be holding these hearings.

Chairman ROTH. I would like to suggest that the two of us, in a bipartisan effort, propose some legislation in this area.

Senator MOYNIHAN. Not hard to think up. I will work with you, yes, sir.

Chairman ROTH. Because it seems to me what you are saying is that we have a clear legal right to ask for these KGB agents or others under control to be sent home; is that correct?

Senator MOYNIHAN. Mr. Chairman, I would go beyond that. You say we have a clear legal right. Having sworn to uphold the charter of the United Nations, we have a clear legal obligation——

Chairman ROTH. I agree.

Senator MOYNIHAN. Just as we swear to uphold and defend the United States against all enemies, foreign and domestic. That means we have to tell those Soviets to stop listening to our telephone conversations; it's against the law. That is not an option, it's an obligation. And the same applies to the U.N. Charter, and I agree. You said it.

Chairman ROTH. I will ask one more question, and then my time has expired. To what extent do the Soviets use the citizens of other countries of the Soviet bloc for purposes of espionage? How serious a problem is that in the United Nations? How serious is that a problem, generally? Do they, instead of using their own personnel, take over, co-opt the Poles, the other members of the Soviet bloc for espionage purposes? Is that a serious problem, in your estimation?

Senator MOYNIHAN. Mr. Chairman, I am here under oath, and you do understand, I am answering questions I don't really know the answer to. I will give you my best judgment.

Chairman ROTH. I appreciate that.

Senator MOYNIHAN. My general reading in, say, places like India, where I was Ambassador, is that the Soviets, the KGB, don't trust the secret services, the intelligence operations of their satellites. They don't trust the satellites, but they test them, and they use them on high-risk things or throw-away things. They use them as bait. They use them where the chances of getting caught are high. They use them where there is a need to do something very dangerous as a way of saying, "Will you really go along with us or not?"

But they aren't the most trusting people, and the people they have the least reason to trust are the people they have overrun. I sometimes had the feeling that they would trust the Bulgarians more than they would trust the Romanians and that some Czechs had thrown in with them and really couldn't dare be without them, but other Czechs, they knew, would turn them in the minute they had the chance. Whatever they can do, they do do, Mr. Chairman.

Chairman ROTH. Senator Gore.

Senator GORE. I found this interchange fascinating, Mr. Chairman. I have certainly enjoyed your presentation, Senator Moynihan, and I am very sympathetic to the goals that you have articulated.

I am interested in why the administration opposes your legislation.

Senator MOYNIHAN. Mr. Chairman, may I make the point that the previous administration opposed it, also.

Senator GORE. Yes.

Senator MOYNIHAN. There is beginning to be some rebellion in the ranks. The FBI is in open rebellion on this, and the NSA, the National Security Agency, is ready to really pursue this.

Senator GORE. We would have to be in closed session?

Senator MOYNIHAN. You have got to be able to face two facts: One is that the Soviets are doing something profoundly illegal; and two, you have to admit that you have let them do it for a long time knowing about it and didn't say and didn't do anything about it. Every day we don't do anything, it becomes harder to do the next day.

The Soviets have begun to get the notion that we are afraid of them in this regard. You will hear in private testimony that, well, their operation is going on in Moscow. In Moscow, they have got so many telephones they don't even have a telephone directory. And we traded a spot on the mud flats of the Moscow River for one of the highest sites in Washington, DC, which was some trade.

They ought to be asked, sir. I think the fact is that Nelson Rockefeller had a real shock when he found that he couldn't get anybody to listen to him, and I don't want to go beyond my knowledge—I think when he left government, he was almost bitter that we were letting the Soviets undertake massive invasions of our communications system and saying nothing about it, under the heading of détente or being diplomatic or not being beastly to the bear or something like that.

It's not pleasant, but listen, you know, there are small countries around this world who throw Soviet diplomats out all the time when they catch them spying, and you know something? The Soviets don't make much of a fuss of it. They expect to be thrown out when they're caught.

[At this point, Senator Nunn entered the hearing room.]

Senator **Gore**. Well, there are aspects to this issue which are probably best pursued in closed session. Assuming for the moment, that we gain similar intelligence in Moscow, the value of such intelligence might be greater because it was gathered from a closed society than the value of such information gathered here by the Soviet Union because while there were easily available alternatives to gather some of that information here, there were no such alternatives in the Soviet Union.

Without getting into detailed discussion of it, that is basically the reason why administrations of both parties have opposed this kind of effort to restrict Soviet activities of this sort, isn't it?

Senator **Moynihan**. Senator Gore, I think you are right, and yet, I think we have all been missing an enormous issue, which is that for this little reason and that little reason, we have been allowing a totalitarian nation to violate elemental constitutional rights of U.S. citizens. When did that start? I mean, wasn't there all this talk about the dangers of totalitarianism?

When a totalitarian society is depicted, when, by some incredible scenario, the Soviets run all over the world and have dominated, what do you have? Your telephone calls are being listened into by the Soviet Government, right? That is what defeat would represent. It's happened today. And we accept it in a passive way that is beyond my comprehension. I think it's beyond yours, sir. I have heard you privately.

Senator **Gore**. Oh, yes. I certainly appreciate your testimony.

Thank you, Mr. Chairman.

Chairman **Roth**. Thank you.

Senator Cohen.

Senator **Cohen**. Mr. Chairman, just one follow-up question. The notion was just suggested that perhaps there has been a sort of gentlemen's understanding that there is a rought equivalence involved—that to the extent that we are trying to pick up their conversations, they are entitled to pick up ours.

But I know from having served with the Senator on the Intelligence Committee, that is not quite so. The Soviets have an enormous amount of access to information in this country, not only by telephone communications, but by appearing at committee hearings, by being the first to pick up committee documents. In a host, in a variety of ways, they have almost total access to information of this country, on top of which they have their telephone communications intercept operations going.

And the notion that somehow there is a rough equivalence in all this strikes me as being really quite outrageous. So I was wondering; while you were at the United Nations, I know that you did perhaps more than many, if not most, individuals who were assigned there to raise issues like this.

Did you raise issues of Soviets use of the Secretariat for their political activities in violation of the charter to the President at that time? What was the reaction that you were given?

Senator MOYNIHAN. To the degree that I did raise it—which is true, I did—the reaction was, "Well, what do you expect? They're Soviets." And there is something of this pattern of, "Of course they're going to behave that way," and our argument would be, "But they have signed a solemn treaty saying they wouldn't."

What is the point of signing any treaties with them if you let them violate the most elemental ones?

To your point, Senator Cohen, you remember those wonderful days when, in a hearing such as this, sir, Senator Jackson might be present, and he would say, "Would all the KGB represenatives in the room please raise your hand; we have a special table for you over here. We would like you to sit down."

The capacities of the Soviets are commendable. I think it is now public knowledge or I hope so, that the Soviets were able to wire, if you like, telephones inside the American Embassy, such that they could pick up and decode letters typed on the fourth floor in the rear room. They would emit just enough radio signals to get next to A and to B and to C, so that they could listen not just to our conversations; they were listening to our typewriters.

But, now, they can do it, we can do it, and you know when it's being done. If I could make a point, if astronomers can have arguments about the Big Bang Theory of the universe by measuring radio emissions that come from 15 billion light-years away on the edge thereof, and decide whether they are getting weaker or stronger, you can know what is going on in a building across the street.

And why we don't do it, Senator Cohen, is a large question, and I hope this committee would just keep asking it until you satisfy yourself; there is no reason we shouldn't.

Senator COHEN. The point is, the chairman asked you whether or not you would be willing to support a bipartisan effort to correct this by legislation. But do you need legislation? Why can't the U.N. Ambassador say, "Mr. President, this is what's going on and we ought to complain about it and start recommending to the House and Senate to reduce funding for the U.N. until it happens," or to issue such a declaration. Why do you need legislation?

Senator MOYNIHAN. You are right. The initiative ought to come from the Executive. I offer you this thought: That you will find people in the Executive offices and in the departments who would be privately very pleased if they had to go in to the Soviet Ambassador or the Bulgarian Ambassador and say, "Look, I'm sorry I have to do this, but we are asking you to leave the country. The Senate passed a bill, and I have no choice."

It's comparable to writing your own instructions when you are going off to a mission. You sit there across from an adversary, a negotiating partner, and you say, "Well, you know how I might feel about this, but my instructions are that you have to get out of this country because you are listening to other peoples' telephone conversations—you are violating our laws. Nothing personal."

Senator COHEN. In other words, what the executive is unwilling to do for one reason or another, officials there can then look to Congress to say that "the Devil made me do it."

Senator MOYNIHAN. It would do no harm in trying that, would it?

Senator COHEN. That is all I have, Mr. Chairman.

Chairman ROTH. Senator Glenn.

OPENING STATEMENT OF SENATOR GLENN

Senator GLENN. Thank you, Mr. Chairman.

I am interested in following this with great fascination as Senator Gore mentioned. It has been a good exchange here, and I congratulate you, Mr. Chairman, for having this hearing, you and Senator Nunn, for working on this problem. I wish to submit into the record my prepared statement.

Chairman ROTH. Without objection.

[The prepared statement of Senator Glenn follows:]

PREPARED STATEMENT OF SENATOR GLENN

Mr. Chairman, I wish to express my thanks for the extensive work you have been doing with regards to the hearing this morning. You are to be commended for bringing to light, along with Senator Nunn, the problems which the U.S. faces in its battle for security of our nation.

When describing aspects of the national security of the United States, most Americans think primarily in terms of arms, numbers of warheads, or countries which have acquired a nuclear weapons capability. I think, however, it is also fair to say that the security of our nation is contingent as well upon our ability to counter the intelligence operations of the Soviet and Soviet bloc countries. And, in light of current events, we must also become more aware that espionage activities do not always involve only our adversaries.

During previous hearings we determined that Western products and technology are being systematically acquired by an intricately organized, highly effective collection program specifically targeted to improve Soviet military weapon systems. Such targets are defense contractors, manufacturers, foreign trading firms, academic institutions, and electronic data bases.

The Soviet mission is made easier in light of the facts that over four million Americans have access to classified information and data, current OPM and FBI clearing practices are deficient, and there are not sufficient resources within these agencies to monitor the movements of Soviet and Bloc country citizens throughout the U.S. And this problem does not exist only in the U.S. It is important to note that while breakdowns within U.S. agencies occur because of these deficiencies, breakdowns also occur abroad which can endanger our national security.

This hearing will investigate appropriate means for stemming the rising tide of espionage through use of the Foreign Missions Act. As a co-sponsor of this Act in 1982, I am particularly interested in whatever information these witnesses can provide about this question, and would like to hear their comments about how the U.S. can effectively tighten up her capability to defend secret information through counter-intelligence measures, or through the concept of a "red team" approach at various national laboratories.

I would also like to extends a welcome to Senator Moynihan and look forward to his views on this topic as well. Again, I commend the Chairperson for his leadership and pledge my continued cooperation with the Subcommittee's efforts.

Senator GLENN. We do have some 4 million Americans that have access to classified material legally. It is very difficult to tie that all up in a country such as ours, where we are free and open. I am a cosponsor of the Foreign Missions Act

But I wonder, and I would appreciate your opinion, could we use existing law right now, if there was just the political will and the guts? Don't we have adequate laws to go ahead and deal with this right now if the administration, the last administration, this administration, or a future administration really wanted to come to grips with this problem and wasn't worried about ruffling feathers someplace?

Senator MOYNIHAN. Senator Glenn, we have all the laws we need, starting with the Constitution, and in respect to the U.N. Charter. It may be, sir, that enacting new legislation would remind the executive of what existing legislation provides.

But there can be no question that the authority is there with the executive and has not been exercised since Nelson Rockefeller first called it to our attention.

Senator GLENN. I support the new legislation. I support your efforts in this, and I want to work with you along with the chairman, and, I am sure, Senator Nunn, as ranking minority, does also.

But I also am aware that as a former head of the CIA, Dick Helms said on a TV program I was watching Sunday that the Soviets pick up most of what they are trying to gain with all their intelligence apparatus basically on the margin. It is really trying to flesh out more of what they have readily available from our whole society here. A subscription to the Congressional Record, Aviation Week, the Washington Post and the New York Times probably gives them 90 percent of intelligence information that they are after, and what they then go after is to try and flesh out the more technical details of that information on the margin.

That is basically what we are dealing with, I guess.

Now, that is a tough area to deal with, and I, frankly, don't know how to deal with it. I would appreciate any comments you might want to make on that.

Senator MOYNIHAN. Senator, I haven't the perspective someone who has flown as many combat missions as you would have. When we speak of technology, technology is a kind of culture; you can't steal it. But timing is something you can steal. If you know when something is going to happen, and where it's going to happen, blackmail, which is what Nelson Rockefeller talked about, blackmail can give you access, can give you input into decisions in a way that is profoundly disturbing.

That can help the wrong decisions get made, as against just finding out what they are. And I don't, sir, see how we can look and think of that for 10 solid years, and do so little about it. How could any reasonable person dismiss the idea that the Soviets have picked up more than a few people inside this Government? Just think of those odd telephone conversations that take place all over this town about sensitive matters, and 3 days later, a fellow is sitting on a bus and someone sits down next to him and says, "You know, I'm glad you told so and so about that matter; you spoke to him the other day," and the fellow says, "What?" "You were right to have done so." "We need to blow the whistle on these plans to start up activities here or there," and pretty soon you have got somebody in trouble, don't you? We are asking for it, and those 500,000 phones in offices aren't going to stop those conversations in any event.

What kind of country is it that would rather hide behind $2,000 telephones than tell the Soviets to stop listening? What kind of a country are we?

zens—from offshore-type interference not generated by an embassy or domestic-type Soviet or Warsaw bloc source?

The second question would be—you mentioned Cuba. What do you do about interceptions from Cuba, and what do you do about things that are collected from outer space?

Senator MOYNIHAN. It is my impression, Senator, that the NSA has been very active on just that question, and has some genuine operational thoughts about it.

Now, I would like to suggest that the committee might want to hear them in closed session. I have talked with them about it. They are very conscious of the satellite issue and very conscious of that Lourdes installation.

I think you can defeat both those problems. Do you think Lourdes can be scrambled by satellites? They seem to think you can, too. I make reference to the general notion that what technology can create, technology can defeat.

Senator NUNN. Let's get away from the technology just a minute and assume there are ways they can continue to penetrate. Suppose that due to the cost-benefit ratio or some technological reason you simply can't prevent interference from Cuba, let's say, from ships offshore, or from outer space.

You still have the constitutional rights of the American people being violated. You still have the privacy being violated. You have still got the problem of the conversation on the bus coming in the next day.

So what have you accomplished unless you can defeat it technologically? What have you accomplished in the diplomatic war? Do you accomplish anything?

Senator MOYNIHAN. I will put it this way: The Soviets have put an enormous investment in this, and are not likely to easily give it up. They really work at it. It's in the Soviet Union. A lot of it is in ships. A lot of it is in places like Cuba.

I would object. I would state that while in this set of circumstances, we do not talk about cultural exchange; and don't expect much wheat; and don't think that you have done anything but raise the level of distrust to your profound disadvantage.

Senator NUNN. Would you break off arms control talks based on this?

Senator MOYNIHAN. No, but I would put this right in the center of arms control talks.

Senator NUNN. Would you hold it hostage if you could get an agreement on anything else? Would you hold it hostage to the point where you said no more interference ever again with any of the private rights of American citizens?

Senator MOYNIHAN. I would put that on the agenda of American foreign policy in a way it has not been so put before.

Senator NUNN. You make it a very top high priority.

Senator MOYNIHAN. I just think to do otherwise is to suggest to the Soviets we don't mind something that we are constitutionally obliged to object to.

Senator NUNN. One other question on this point. Let's just assume something for a moment, and I don't know whether this is the case or not. It is in the whole area of technical and perhaps subjective judgments. Let's assume that you came to a conclusion, factually, based on all the testimony in open and then closed hearings, that we can protect our privacy over here. We can do it. But it will be at the cost of some national security.

In other words, there is a tradeoff. You do protect privacy, but you damage our own national security because, basically, the information they are getting from us is not worth nearly as much as what we are getting from them.

Now, assuming that, where do you come down at that point?

Senator MOYNIHAN. Where do I come down? I come down on the constitutional principles involved. It seems to me that while we retain a firm commitment to protecting the constitutional rights of American citizens, national security flows from that commitment in principle. I would never compromise that.

Senator NUNN. Even if the intelligence people said that the information that we were going to be deprived of could, indeed, affect the question of war and peace and it would affect the question of whether we would have warning of a Soviet first strike? I am not being facetious here. I am talking about things that are real.

Senator MOYNIHAN. I respectfully suggest, sir, in 8 years on the Intelligence Committee, that proposition was never put to us. If it were, obviously, sensible, responsible people would want to judge. But I would like to know who puts that proposition, and what evidence? I mean, there was a great deal of chittering about 10 years ago. It is all in the public domian now, when we were listening into the Soviet telephone conversations in their limosines that go around Moscow, and we would know which Commissar was meeting what ballerina for plum brandy and if you had little bits of that, why, it was worth gold in the corridors of the State Department. But what really did it amount to?

Senator NUNN. I would agree with you on that point, but I would not agree with the implication that flows from it that because that conversation might have been frivolous that all other things that we gather in with intelligence are also frivolous. I don't agree with that proposition.

Senator MOYNIHAN. Nor do I, but it seems to me reasonable persons can look at the data and make reasonable judgments, and that is what I think you are doing.

[At this point, Senator Glenn withdrew from the hearing room.]

Senator NUNN. Well, that's correct, but let me get back to the one other question. How diligently should we pursue, let's say, the cessation of Soviet United States-based type eavesdropping if we conclude technologically that we can't prevent it from the outside?

Senator MOYNIHAN. I would do it in the inside. Again, it's an issue of principle. They are doing what is illegal, is unconstitutional. Our own Government wouldn't dream of doing it. And they must not be allowed to. Othewise, they ask themselves, "What do all those principles they talk about really mean? Not much, and the Government protects itself but it doesn't care about the people any more than we do."

What is it telling them about us? Had we not been hearing the other day from the aftermath of the summit, extraordinary misapprehensions the Soviets have about American life? They don't understand this place at all, when they are listening to telephone conversations everywhere, and apparently we don't mind. They do it themselves, and they don't mind. Of course, they don't mind.

That is not the impression we should give them about what this country stands for. It is an impression of weakness about principle which has led to disaster in the twentieth century, when encountering totalitarian nations.

Senator NUNN. Thank you very much. I certainly agree with that final conclusion, and I certainly agree with your statement on technology. But you don't have much principle if you stop if from one source and the same conversation is being listened to by another source. One happens to be within your country, and another happens to be offshore on satellites. I mean, you haven't established much principle if the conversation itself is being intercepted, as I see it.

Senator MOYNIHAN. That is a question of fact, and reasonable men can inquire.

Chairman ROTH. Thank you very much, Senator Moynihan. We appreciated your being here and look forward to working in this area with you.

Senator MOYNIHAN. I look forward to that as well Mr. Chairman. Thank you.

[Prepared statement of Senator Moynihan follows:]

STATEMENT BY SENATOR MOYNIHAN ON SOVIET ELECTRONIC EAVESDROPPING

In 1975 when I was named U.S. ambassador to the United Nations, Nelson Rockefeller, then Vice President, told me the first thing I must know about the U.N. is that the Soviets would be listening to every telephone call I made from our Mission or from our suite in the Waldorf Towers. I would soon learn that the Soviets have the same electronic listening capabilities at their consulate in San Francisco and Embassy in Washington.

Nelson Rockefeller had reported this intelligence breach, and violation of the Fourth Amendment, to the President in January 1975. In a report to the President in his capacity as chairman of The Commission on CIA Activities Rockefeller said "the communist countries appear to have developed electronic collection of intelligence to an extraordinary degree of technology and sophistication for use in the United States and elsewhere ... and we believe that these countries can monitor and record thousands of private telephone conversations. Americans have a right to be uneasy if not seriously disturbed at the real possibility that their personal and business activities which they discuss freely over the telephone could be recorded and analyzed by agents of foreign powers." Nelson Rockefeller was on to something.

Later when Arkady Shevchenko, Under Secretary General of the United Nations and the ranking Russian at the U.N., defected, we were to learn just how extensive the Soviet eavesdropping effort was. In his book Breaking with Moscow Shevchenko writes, "When I first came to the United States in 1958, there were three or four KGB communications technicians and their gear sharing the former servants' quarters in the attic [at Glen Cove]. By 1973, the specialists in intercepting radio signals numbered at least a dozen, and they had taken over the whole floor.... The rooftops at Glen Cove, the apartment building in Riverdale, and the mission all bristled with antennas for listening to American conversations."

Soviet and Eastern bloc signal intelligence operations continued to expand. Towards the end of 1981 Theodore Gardner, Special Agent in charge of the FBI's Washington field office,estimated that 40 percent of the Russian embassy personnel were occupied with eavesdropping.

There are three principal modes of communication at risk: microwave transmission; satellite transmission; and mobile telephone transmission. The Soviets have the potential to have at all. A Motorola brochure is quick to point out that "today, 90 percent of America's long-distance phone calls travel all, or part of the way, by microwave or satellite transmission paths. These paths are easily intercepted." This is accomplished from the Soviet diplomatic missions in New York City, their consulate in San Francisco, and Washington Embassy, soon to be located on Mt. Alto, one of the highest points in Washington and an ideal communications vantage point. In addition, the Defense Department informs us, a signal intelligence facility at the Lourdes complex in Cuba targets U.S. commercial satellites; and what of those Russian trawlers? Fishing indeed, but fishing for what?

A recent article in Newsweek indicated just what might be at risk. As the President ordered the Secretary of Defense to proceed with the interception of the aircraft carrying the Achille Lauro hijackers, he did so "in the clear." Newsweek reports, "Ironically, while U.S. intelligence was closely monitoring communications from Egypt, the scrambler aboard Air Force One was broken, and Reagan was forced to make his call 'in the clear.' As a result the conversation with Weinberger was overheard by a ham radio operator...." Are we to assume the Soviets or their surrogates were not also listening? And what of the Soviet acquisition of western technology which, no doubt, is enhanced by telephone intercept.

And in all this we can not forget the private citizen whose Fourth Amendment rights are being violated. The Amendment bears repeating, "The right of the people to be secure in their persons, homes, papers, and effects, against unreasonable searches and seizures, shall not be violated..." It is my understanding that this would protect our citizens from Soviet intercept of their telephone conversations. And yet, at a hearing of the Select Committee on Intelligence, of which I was a member on July 27, 1977, Mr. Anthony Lapham, General Counsel of the Central Intelligence Agency, replied to my question on the point, "As much as we would like to think that the Fourth Amendment applies to the Soviet Union, I do not think the

Constitution supports you on that." I wonder if my colleagues on the subcommittee feel that is a sufficient answer?

To use Nelson Rockefeller's words, Americans are uneasy -- my receptionists and mail clerks will attest to that. And I am seriously disturbed. Consequently, on the first day of the 99th Congress I introduced a bill, S.12, the Foreign Surveillance Prevention Act of 1985. (I introduced similar legislation in previous Congresses, in July 1977, and again in November 1981.) This legislation would require the President, upon learning of illegal electronic surveillance by a foreign mission, to demand that it be discontinued and, failing that, declare the diplomats involved persona non grata and expel them.

In June of this year I offered the bill as an amendment to the Department of State Authorization Act. The managers accepted it and it became Title VII of that measure which thereupon went to conference with the House. But the administration intervened, and Title VII was dropped. Subsequently, I offerd an amendment to the State, Commerce, Justice, and Judiciary appropriations bill. This amendment earmarked $1 million for the purpose of countering the interception of domestic American telecommunications by agents of the Soviet Union and its allies and provided that by June 1, 1986, the Director of the FBI shall submit to the appropriate committees of Congress a report on the FBI's capabilities and efforts to counter electronic interception of American telecommunications by foreign agents. That this amendment passed by a vote of 96-1 indicates Congressional concern. But I will be the first to acknowledge that this $1 million adresses the issue but does not resolve it. I think I can speak for the 16 cosponsors of S. 12; there is still more to be done and we intend to do it.

As I have said before, and no doubt will say again, our countermeasures to date have been essentially defensive in nature, expensive and slow to take effect. The Carter administration decided to bury the Federal Goverment's telephone lines and those of some its defense contractors. Unfortunately, this left the rest of us still relatively defenseless. In addition, in March of this year the Department of Defense awarded development contracts for a new generation of secure telephone known as the Secure Telephone Unit-III (STU-III). With a projected circulation of as many as 500,000, as reported in the New York Times, the STU-III will certainly improve secure telephone communications over the 4,000 STU-IIs currently in use. At a target price of $2,000 per unit, these telephones will be deliverable in April 1987. The goverment, defense contractors, and unique to the communication security business, as a GAO study indicated, the commercial market will all benefit. But still, this leaves the Fourth Amendment out in the cold.

More recently, on November 7, Secretary of State Shultz published in the Federal Register Public Notice 947 authorizing the Office of Foreign Missions "to require a foreign mission to obtain certain benefits exclusively from and through the Director [Office of Foreign Missions] under such terms and conditions as may be established." The notice then specifically targets as benefits any parabolic dish antennaes or comparable apparatus and any long distance telephone service. It should come as no surprise to any of my colleagues, that parabolic dish antennaes can both receive and send microwave signals to and from satellites; an asset to any signal intelligence listening effort as well as a boon to those who want to watch Mets games on cable T.V. Here is a measure we all can commend, private citizen as well as govermment official. Still it is not enough.

I will close my statement by returning once again to a comment Walter Deeley, the head of Communications Securtiy at the National Security Agency, made to James Burnham reported in the New York Times on October 7, 1984, "They are having us for breakfast. We are hemorrhaging. Your progeny may not enjoy the same rights we do today if we don't do something."

Chairman ROTH. At this time, I call forward Dr. Bittman.

Dr. Bittman, under committee rules, all witnesses have to be sworn. Would you remain standing and raise your right hand?

Do you swear that the testimony you will give before this subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. BITTMAN. I do.

TESTIMONY OF LADISLAV BITTMAN, FORMER DEPUTY CHIEF OF ACTIVE MEASURES, CZECHOSLOVAKIAN INTELLIGENCE

Chairman ROTH. Dr. Bittman, if you would proceed with your prepared statement? If you don't want to read the entire thing, it will be, in any event, included as if read.

Mr. BITTMAN. Thank you. It is brief, so I think I will read the statement.

Mr. Chairman and members of the Senate Permanent Subcommittee on Investigations, I am pleased to have the opportunity to testify on the subject of hostile espionage activities inside the United States.

I was recruited by the Czechoslovakian Intelligence Service during my last semester of university study and offered a position as an intelligence operative with the service. I worked for the service for 14 years, from graduation in 1954 until my defection to the United States in 1968.

During my career with the intelligence service, I worked both as an analyst, a field operative, and a disinformation specialist. As an intelligence officer, I was stationed in Berlin, Germany, from 1961 to 1963, under diplomatic cover as a cultural attaché. My responsibilities included handling and recruiting agents as well as planting stories in the local press through recruited agents. After returning to Prague in 1983 I worked as case officer in the German/Austrian Department of the Intelligence and in February 1964 I became Deputy Commander of the new Department for Active Measures and Disinformation. My major responsibility was designing and directing propaganda and disinformation operations around the world on behalf of Czechoslovak and Soviet intelligence services. At the same time, in order to improve my journalistic and propagandistic skills, I was sent to graduate school of journalism in Prague. While attending graduate school at night I continued working for the intelligence service during the day.

From 1966 until my defection in the summer of 1968, I was stationed in Austria, again, under diplomatic cover, this time as a press attaché of the Czechoslovak Embassy there.

[At this point, Senator Gore withdrew from the hearing room.]

In my brief introductory statement, I want to emphasize that satellite intelligence services play considerable role in the Soviet intelligence effort against the United States, as well as against other non-Communist countries.

The Czechoslovak, East German, the Hungarian, the Polish, the Bulgarian, the Cuban and, to a degree, the Romanian intelligence services are mainly involved in collecting secret information and conducting the so-called active measures on behalf of the Soviet Union. The Czechoslovak Intelligence Service, during the time of my involvement, for example, operated in many countries where Czechoslovakia had no direct political, economic, scientific, or military interest. While Czechoslovakia paid for this huge secret organization, it served obviously to benefit the Soviet Union.

In Western Europe, in Canada, and particularly in the United States, many citizens of East European or Cuban descent maintain a sentimental attachment to their ancestral homeland. When recruiting West German citizens, for example, the East German service plays upon the feeling that they would work for the other Germany rather than the Soviet Union. The large Polish, Czech, Slavik, and Hungarian ethnic groups in the United States are considered important vehicles for penetrating Congress and key Federal agencies like the State Department, the Department of Defense, the FBI, and the CIA. When blackmailed and threatened with reprisals against their relatives in Communist countries, some of the selected victims agree to become spies.

The covert KGB presence in developing countries is also augmented by the personnel of allied intelligence organizations from Eastern Europe and Cuban. In Third World countries, East German or Czechoslovak diplomats, technicians, or advisers are perceived as representatives of small Socialist countries rather than Soviet instruments. It is particularly true of the Cubans. While unsympathetic to the Soviet brand of socialism, some Third World revolutionaries, as well as West German and American radical subcultures maintain contact with Cuban intelligence and naively believe that they are free of any Soviet influence.

The role of the satellite services is underestimated also by the Western press. While paying occasional attention to the KGB, the press leaves the German, Czechoslovak, Polish, Hungarian, Bulgarian, and Cuban services out of focus, although they have strikingly improved their techniques and expanded their operation. The satellite services are formally subordinated to their governments but, in fact, they are mainly directed and exploited by the KGB. Soviet intelligence is informed of every major aspect of their activities; the Russian advisers, who are now called liaison officers, influence the planning of major operations and assess the results. No important decision is made without them.

The line of command within a satellite intelligence service is threefold. Officially, each service is subordinated to the Minister of Interior and the Prime Minister. The second line of subordination runs directly from the intelligence service to the Communist Party, to the Central Committee of the Communist party. The third and most important line of commands leads to the KGB headquarters in Moscow. The application of the Soviet version of proletarian internationalism to relations between the Soviet and the satellite intelligence services rests on the theory of national interests and international responsibilities of each service. Under the label of international responsibilities is hidden the imperative of absolute obedience to the fulfillment of the objectives and orders coming from Moscow.

The long-term directives from Moscow are usually passed to the commanding officer in official correspondence or at regular consultation between the KGB and satellite representatives. Day-to-day supervision is maintained with the help of Soviet advisers. Until midsixties, they supervised the planning as well as the execution of every operation abroad, and their instructions were decisive. Since then, their numbers have been gradually reduced, and they pay attention only to major operations.

Although the Soviet advisers are secretly ridiculed by officers of satellite services, their professional capabilities are usually quite high. Most of them have spent years abroad as case officers or station chiefs. They maintain a cordial tone but formal distance from the rank-and-file satellite officers, and they live very privately, isolated from the local population.

The Soviet intelligence school in Moscow is another form of control. Starting from the early 1950's, candidates for posts in the Satellite espionage bureaucracy were sent for 2-year courses, later 1-year courses of training at this Mecca of espionage science.

[At this point, Senator Cohen entered the hearing room.]

Mr. **Bittman**. Instead of maintaining one school for all satellites, the the KGB strictly follows the rules of conspiracy and separates the students into several training camps according to their nationality.

The cost, including salaries for instructors, security personnel and housing, is absorbed by the satellite countries themselves. The professional level of the Moscow school, which provides students with courses from elementary espionage techniques to heavy doses of ideological indoctrination, is rather mediocre.

However, it gives the Soviets a unique opportunity to familiarize themselves with the elite of the satellite services, to discover their personality traits, strengths, weaknesses and, above all, their political reliability. The value of such information proved extremely important in Hungary in 1956 and in Czechoslovakia in 1968, when the Soviets knew long before their military intervention who was a reliable officer and whom they had to consider a potential political enemy.

As for the operational contact and cooperation among satellite services, for a long time it was limited to occasional consultations on the highest level and exchanges of information considered of mutual interest. In 1965, Moscow introduced an important structural change allowing direct, regular contacts on the department level among satellite services, while retaining the role of chief coordinator. The new policy incuded East Germany, Poland, Hungary, Czechoslovakia, and Bulgaria. The Cuban service was at the time still perceived as a young, undisciplined offspring without much to offer. Bucharest's independent foreign policy toward the West and friendly relations with the People's Republic of Chian at that time, practically isolated the Rumanian service from the rest of the Soviet bloc.

It is true that Eastern Europe is far from being a monolith. There are frictions within the Soviet bloc that cause considerable anger on the Soviet side as well as among the satellites. But the principal Soviet demand for close state security cooperation remains unchallenged. Satellite countries know that subordination of their own security organs to the KGB is understood in Moscow as the ultimate proof of loyalty.

I am glad that I have the opportunity to testify before your subcommittee on this subject. For those of us formerly or currently inside the intelligence business, the subordinate relationship between the Eastern bloc intelligence services and the Soviets is axiomatic and assumed to be common knowledge among the general population.

But, this is not the case, and this lack of knowledge works in the Soviets' favor. I hope that my testimony will serve, at least, that public education function.

I am ready to answer any questions.

Chairman ROTH. Thank you very much, Dr. Bittman. If I understand your testimony, what you are really saying is that the satellite foreign intelligence services really are part and parcel of the Soviet espionage system, that they utilize the services of Poland, Czechoslovakia, and the other countries within the Eastern bloc to promote those objectives of the Soviets, primarily; is that correct?

Mr. BITTMAN. Yes, that's correct. If I may, to illustrate the importance of satellite services, 25 years ago, just at this time, I was sitting in Prague in the headquarters of the Czechoslovakian intelligence together with Mr. Chernoff, at the time, Comrade Chernoff, the chief Soviet Advisors, the chief of the Czechoslovakian intelligence, and a number of officials of the Czechoslovak intelligence service, and we were discussing how to handle the case of Alfred Frenzel in Germany. Alfred Frenzel was a Czechoslovak agent who was just arrested. He was a member of the West German parliament, a member of several important parliamentary committees, including the committee for defense. For years, the Czechoslovak intelligence, and of course, primarily the Soviets, received the top-secret West German documents dealing with West German military, with NATO policy, NATO countries, and also, of course, with information dealing with the American presence in West Germany.

And this went on for years and years and years, until 1960, when Alfred Frenzel was arrested, and shortly after that, sentenced to a long-prison term. I think one can talk about this openly today, because Alfred Frenzel is dead today. He finally, after some years in a West German prison, he was exchanged for spies on the other side. He came back to Czechoslvakia, and died just several weeks before the Soviet invasion.

This case illustrates the importance of satellite services, because Alfred Frenzel had connections to Czechoslovakia; namely, he had his daughter in Czechoslovakia, and that was the key that opened the safes of West German military for the Czechoslovak and Soviet intelligence services.

Another thing that I think the public doesn't realize, that many of these people, like Alfred Frenzel, are used not only for collecting secret information abroad, but more and more often they are also used as agents of influence. That means, in case of Alfred Frenzel, who occupied an important position in the hierarchy of the parliament and inside the parlimentary committees, he received occasionally instructions from Prague how to react in certain situations; what proposals to object or to support; how to deal with certain major issues. At the time it was not done very systematically. This was only the beginning of the era of disinformation and active measures. But I think this is something that the Soviets pay great attention to today.

Chairman ROTH. From your knowledge of the Soviet system, is there any question in your mind as to whether the Soviet Union would use the personnel of the satellite countries that served in the United Nations, either as diplomats or civil servants? Would they, in your judgment, be part of the system?

Mr. BITTMAN. Oh, there is no doubt. Of course, all people stationed here, representatives of Soviet bloc countries, a large percentage of them are involved in espionage activities on behalf of the Soviet Union.

Of course, they are not directed by the Soviets here. They are directed either by the Czech, Czechoslovak station chief or the Polish station chief and so on. But ultimately, what they do serves the benefit of the Soviet Union.

Chairman ROTH. We have, over to your right, my left, a map of the United States which shows, in orange, the areas denied to the Soviets for regular travel; in other words, the Soviets are not free to go to those areas without special permission.

On the overlay are colored dots indicating the commercial establishment of East bloc countries, some of which are as follows. Various Polish Government controlled businesses, for example, are located in Baltimore, Cleveland, Chicago, Boston, Houston, Detroit, Newark, New York, and Chicago.

The East Germans, for example, have offices in Boston and New York. Other countries have establishments scattered from Boston to Los Angeles.

As you can see, many of these commercial offices are in or next to areas denied the Soviets. In other words, the Soviets can't travel to those areas.

Can you comment on the advantages of this setup to the Soviets?

Mr. BITTMAN. Well, obviously, Soviet representative, a Soviet diplomat, a representative of Soviet trade organization has a set certain stigma in this country, and in some cases, it is more difficult for him to develop closer relationship with American citizens. It is much easier for a Czechoslovak citizen or a Hungarian citizen or a Polish citizen, because, first of all, there are large ethnic groups, ethnic communities in the United States of Poles, of Hungarians and so on, and in many cases, it is easier for the diplomats of these countries to develop closer contacts and eventually bring the case to the conclusion that means to recruit that individual than, in some cases, it is for a Soviet diplomat.

Now, when I look at this map, and think about the pattern I think the reason why they opened these offices around in the country is they want to cover basically the whole territory of the United States. When there is an opportunity, they will grab the opportunity.

Certainly, if I was to state the major priorities of the Soviet bloc intelligence in the United States today, it is military information and scientific and technological information. The Soviets are not obsessed as much as they were 30 years ago or so with political information.

During the 1940's and 1950's, political information was considered very, very important, but there was a gradual shift in priorities, and I think today, clearly, these two categories of information dominate: That is, military information; information about American military installations, American defense system, and science and technology. Those are the major priorities.

Chairman ROTH. Let me ask you this question, a related question: Does it make much sense to you to say to the Soviet diplomats and others who represent or are citizens to the Soviets, "You cannot travel in those areas on demand," however, at the same time, permit the diplomats and citizens of the other Soviet bloc countries, satellite countries, to freely travel in these areas that are restricted to the Soviets?

Mr. BITTMAN. No.

Chairman ROTH. Does that make any sense to you?

Mr. BITTMAN. There is absolutely no difference, no, between an operative of the Hungarian or the Czechoslovak intelligence and the Soviet intelligence. No, as far as the result of these operations, there is no difference between them.

Chairman ROTH. One more question, then I will turn it over to Senator Cohen. You mentioned in your testimony, intelligence officers acting as journalists. To what extent does the Soviet espionage system put journalists abroad for purposes of spying, using the cover, giving them a diplomatic cover, while, at the same time, they are purportedly a member of the press? To what extent do they use that method? Is it true that most of these people are not bonafide members of the media but paid employees of the Soviet Government or the satellites? Would you care to comment on that?

Mr. BITTMAN. Well, the journalists who are sent abroad from Communist countries, it's a mixed bag. Yes, there are some journalists with long experience in journalism who are professional journalists. But we have to take into consideration a very simple fact, that every representative sent abroad, even if he is not an official of an intelligence service, is expected to help the intelligence service whenever the service asks him to do so.

A large percentage of them work as the so-called ideological collaborators. They are supposed to work for the intelligence service, help the intelligence service, for ideological reasons, because they are also members of the Communist Party, they are also citizens of that country.

This is true about journalists as well as diplomats.

Now, back to your question about journalists, a relatively high percentage—and I would hesitate to say exactly how high the percentage—are associated with the intelligence service. Some of them are sent abroad under journalistic cover. Some of them are ideological agents. It doesn't mean that ideological agent is less productive.

A very, a classic example was the Czechoslovak correspondent for the press agency CTK in West Germany, Otokar Svěrčina, who is now a director of that press agency. He was an ideological agent who was much more successful than probably 90 or 95 percent of the Czechoslovak operatives stationed in West Germany who were really operatives of the service. He actually helped the service to recruit several prominent agents, including a few members of the West German Parliament.

So yes, there are very many people who are sent abroad under journalistic cover and try to use their position not only to work among journalists, but also to work against other major targets.

One footnote at this point, when we are speaking about journalists: If you had the magic key and opened the safes of Communist intelligence services, you would discover that a relatively high percentage of recruited agents in libertarian countries are journalists, that is, a higher percentage than they represent in the total population. The reason for this is very simple: a journalist in a libertarian country has an extraordinary position to be investigative, to do research, to investigate what the government is doing. It is part of his job.

Naturally, this provides the best coverage for an agent, and that's also the reason why all Communist intelligence services are very much after journalists.

When I was stationed in Vienna as a press attaché of the Czechoslovak Embassy there, one of the major targets were journalists who were stationed there. There is a large group of foreign journalists stationed in Austria who cover Eastern Europe, because many Western newspapers, radio stations, television stations do not station journalists permanently in Praque or Warsaw or Moscow, but rather, in Austria and send them on short trips to cover Eastern Europe. That's why Vienna is considered so important by East European Communist intelligence services.

The journalists there, the Western correspondents are a very important target.

Chairman ROTH. Senator Cohen.

Senator COHEN. Thank you, Mr. Chairman. Mr. Bittman, I notice from your statement that you treat the Romanian intelligence service somewhat differently than the other Eastern bloc countries.

Mr. BITTMAN. Yes.

Senator COHEN. On page 2, for example, you make reference to the degree to which they act on their own behalf.

Mr. BITTMAN. Yes.

Senator COHEN. On page 3, you omit them entirely from the list of those that we should focus upon, East German, Czechoslovak, Polish, Hungarian, Bulgarian, and Cuban.

On page 5, I think you indicated that during the sixties, at least, they were practically isolated from the rest of the Soviet bloc.

The question I have is, should we exercise any discretion in treating Eastern bloc countries such as Romania? Should we, in turn, try and encourage this sort of independence, separation from the Soviet intelligence by rewarding, in some fashion, by treating them differently, the Romanians?

Mr. BITTMAN. I would think so. I think that we should take this into consideration. It is a fact that Romania was not considered a reliable element of the intelligence pool in Eastern Europe for the reasons I mentioned. It was because of Romania's friendly relations with China and for kind of independent foreign policy.

There was an official contact with the Romanian intelligence, but it was more or less an official contact. There was no truly productive cooperation at that time.

Today, it depends on the information that your subcommittee has, or the American intelligence agencies, have about the situtation of Romania today. I think this largely depends on whether Romania is well integrated again or not. And I think it's very important to know the answer to that question.

Senator COHEN. Thank you. Mr. Bittman, this year we passed legislation calling for a certain, if I can use that phrase again, rough equivalence with respect to our diplomatic presence in the Soviet Union and their presence here.

For example, there are more than 200 Soviet citizens who work in our embassy in Moscow. At least we are told by the State Department that they are mere functionaries. They include plumbers—that should cause heartburn for a number of people—secretaries—you have heard Senator Moynihan talk about their ability to even penetrate our typewriters with the sophisticated listening devices—cleaning ladies; personnel who would make appointments for our diplomats.

Are these people harmless functionaries in your judgment?

Mr. BITTMAN. No, absolutely not. Every individual who, of course, is allowed to work at the American Embassy, or should I say high percentage of these, are state security operatives. They have military rank. They are officials of the state security. Then there is a certain number among the cleaning ladies and people who do manual jobs who, of course, don't have the military rank, who aren't officials of the state security but who are considered ideological collaborators. That means before they are sent to work, they have to meet their commanding officer who will tell them what to do and how and what not to do.

So, all these people are under strict control of the KGB. There is no doubt that an individual cannot work for the American Embassy without the knowledge and cooperation and direction by the KGB, absolutely not.

Senator COHEN. Even though they are dressed in plumbers' overalls or those of a mechanic or those of a cleaning lady, they are there to cooperate and gather information in one fashion or another, or, indeed, to take active measures?

Mr. BITTMAN. Of course, because the cleaning lady is a very important person who has access to many rooms, she can see the shape of the room, various materials. All this information is very important for planting listening devices. That is a very important position.

Senator COHEN. Thank you very much.

I would point, Mr. Chairman, even though we passed a law that would require the reduction of Soviet personnel at our embassy in Moscow, that is still being resisted by the State Department, even today. Notwithstanding the passage of a law signed by the President, it is still being resisted. We have follow-up legislation that we are pursuing this year that would require a reduction in the size of the Soviet mission at the United Nations, which, by the way, is twice the size of any other nation's.

Again, we are tying to reduce the presence. I assume you would agree that many, if not most, of those assigned to the Soviet mission are also engaged in intelligence gathering activities?

Mr. BITTMAN. Yes. I agree with that. In my perception, it is very important to deal with the Soviets on the basis of reciprocity. In the 1970's, for example, we entered a new era, a new kind of relationship with the Soviets, and tried to establish a new dialog and open the door for Soviets.

If you look back and analyze this period, you would see the dramatic increase of the Soviet presence in the United States, intelligence presence, and penetration of the United States in various fields. Because Soviets saw, of course, this time as a great opportunity to use it for an unprecedented espionage offensive against the United States. So we always have to be careful.

I'm not trying to create a monster. I hope this is quite clear. We have to develop a new dialog. We have to pursue every channel, every line that we can. But at the same time, we have to be very, very careful, because whenever there is a possibility to misuse the contacts, Soviets will do it.

So, we have to be very careful.

Senator COHEN. Mr. Bittman, there have been some suggestions, some in fact, some even in fiction, that the Soviets and Eastern bloc intelligence services are playing a role in the increase in terrorists' activities and international narcotic trafficking. Specifically, the Cubans and Nicaraguans have been tied to the introduction of drugs into this country. We have seen a number of terrorists who have made transit through the Soviet bloc countries and received training from them.

What is your view concerning the Soviet and Soviet bloc efforts with respect to both drugs and terrorists?

Mr. BITTMAN. I think first, that Communist intelligence services, for a period of time, were directly involved in terrorist operations in the 1950's, and then, under Khruschev, this was stopped for a number of years. Then I would say probably since the mid-1970's, a new era started, when the intelligence services went back to using terrorist methods again, first against their own people, defectors, and so on.

But there is a second line, and that is what you are, I think, speaking about. The various terrorist organizations around the world and their connection to Eastern Europe. Yes, there are organizations that have contacts with Eastern Europe. Since the mid-1960's, Eastern Europe developed contact with a few radical organizations in Italy, in West Germany, in Northern Ireland, and tried to use these organizations for their own purposes.

However, I want to emphasize there is no terrorist headquarters in Moscow saying who should be killed tomorrow; what targets should be attacked. There is no worldwide terrorist conspiracy, no. That's nonsense. But what the Soviets are doing—whenever there is opportunity—is supporting certain organizations that create problems for the United States.

Practically, it means that the Soviet bloc intelligence services in many cases supplied weapons to various terrorist organizations; they supported them financially; and occasionally, they provided them with safe territory in Eastern Europe to discuss their operations, without telling them what to do and how.

Senator COHEN. What about drugs? You talked about that.

Mr. BITTMAN. Yes. I think in the last 10, 15 years, there have been quite a few signals that the Soviet bloc intelligence services have been also involved in smuggling drugs. I think, they were involved for two reasons: one is financial profit, to finance some intelligence operations around the world; and the second reason is political. Drugs are actually Western establishment.

For example, the drug addiction of the American soldiers in West Germany is a serious problem, although I don't know whether the number is increasing now or decreasing. But it is a serious problem, and the Soviet bloc intelligence services know it, and they are trying to make it a bigger problem.

It means that politically, drugs are considered a useful weapon to undermine the establishment and occasionally Communist intelligence agencies are participating in the drug business to make profit and use it for financing other operations.

Senator COHEN. From your experience, do the Soviet bloc intelligence operatives, do they get together from time to time to assess what they are doing collectively, to map the tactics and strategies? What sort of issues would they discuss?

Would they discuss, for example, that there is a serious problem with drug addiction in the United States? Would they say, we know that a lot of it is coming from Colombia, or through Cuba, and that perhaps we ought to try and direct more of that activity going to the United States to reduce the morale, break the morale of the young American citizens.

Mr. BITTMAN. Speaking about the territory of the United States, there is a direct operative contact between the Soviet station chief here and the station chiefs of the sateliite services. So whenever the Soviets need something immediately, they contact the station chief of the Hungarian or Czechoslovak service and give them the orders.

There is no direct contact between individual members of the Communist intelligence stations. It means, that a rank and file Czech operative, for example, is not entitled to know anybody from the Soviet intelligence station, to know the name of the Soviet station chief or know who are the Soviet diplomats who work for the KGB, no.

However, in satellite intelligence headquarters, the Soviet control over what is done and how is total. It starts at the level of the operative who writes the first proposal for the operation. He has to consult it with the Soviet advisor. Only then he can submit his proposal to his commanding officer, who has his Soviet advisor; and then the proposal goes through the chief of the service, and the chief of the service has his Soviet advisor; and the Minister of Interior has his Soviet advisor.

It means that there are several levels of Soviet control, and before the proposal reaches the Minister of Interior or the Politburo, Moscow already, for days and sometimes weeks, knows about the proposal.

Whenever the KGB needs something, it uses direct connection line to Prague or East Berlin through their chief advisors. The chief advisor comes to the office of the commanding officer of the service and says, "Listen, Joe, we have here this problem. We need your help. This is what we want to do." And the commanding officer of the Czechoslovak service gives the necessary orders. This means that the rank and file guy who is conducting the operation, in most cases, doesn't know that actually this order came from Moscow, because he received the order from his commanding officer.

So it's a very effective way, and at the same time, it protects the Soviets to be exposed.

Senator COHEN. My time is up.

Chairman ROTH. Senator Nunn.

Senator NUNN. Thank you, Mr. Chairman.

On the question of drugs, you left in 1968?

Mr. BITTMAN. 1968.

Senator NUNN. Were you ever involved in any kind of drug traffic in your own position?

Mr. BITTMAN. No, no; not as an operative of the operation of German department, not as the deputy chief of the department for active measures, no.

Senator NUNN. Were you ever involved in any terrorist liaison links with terrorist groups in your own experience?

Mr. BITTMAN. No, not during that time.

Senator NUNN. What do you base your knowledge on, let's say in the drug area that has happened since 1968?

Mr. BITTMAN. Well, I have just finished my analysis of Soviet bloc active measures against the United States, which I just published 6 weeks ago. Using on my experience, I have analyzed all major fields of Soviet active measures and disinformation in the field of political, economic, scientific military disinformation. Actually I have spent more than 10 years researching this book.

Senator NUNN. So you are doing that full time, then?

Mr. **Bittman**. This is part of my profession. I'm a college professor. I teach journalism. I'm educating the new generation of American journalists. I try to share with them my experience and expertise in the field, yes.

Senator **Nunn**. Do you base, let's say, this drug information that you have given us on written, published sources, unclassified sources, contacts with people back behind the Iron Curtain, as we call it?

Mr. **Bittman**. No, strictly from open sources.

Senator **Nunn**. Strictly from open?

Mr. **Bittman**. Yes, strictly from open sources.

Senator **Nunn**. On a scale of 1 to 10, let's take the West German drug problem. Ten being the most participation, one being the least, how much do you think the Soviets and the KGB and their intelligence operation have to do with the drug problem of American soldiers in West Germany?

Mr. **Bittman**. Of American soldiers in West Germany?

Senator **Nunn**. Or just the drugs that are available in West Germany, I suppose.

Mr. **Bittman**. Probably 2.

Senator **Nunn**. So the problem is not primarily related to——

Mr. **Bittman**. No, no.

Senator **Nunn**. Would you say the scale is the same as far as drugs coming into this country?

Mr. **Bittman**. Yes; I would say so; less, probably even less than that.

Senator **Nunn**. So you are saying it is incidental to the overall drug problems. If we were to make a deal with the KGB, our drug problem is not going to go away?

Mr. **Bittman**. No. If the Soviets abolish the KGB tomorrow, basically, it wouldn't help our drug problem, no.

It is important to understand Soviet strategy. Soviet strategy and thinking are different from American thinking. American thinking is very practical. Americans are very pragmatic. We do this in order to achieve this, and most American operations expect immediate result.

That's now how—most Soviet bloc operations, and I'm speaking about active measures—are designed. Most of them are acts of opportunity. The analysis of the situation reveals certain problems of American image in a country or American foreign policy. Then a group of specialists are thinking about how to take advantage of it, how to make it a more acute and visible problem, more dramatic problem for the Americans. The most successful Soviet bloc operations play upon existing biases and problems.

Senator **Nunn**. Existing problems?

Mr. **Bittman**. Yes.

Senator **Nunn**. I have here, Mr. Chairman, a statement which I am going to try to get fully cleared for release that was given to us in the personnel security investigation we did last year. I interviewed this individual. His name is Mr. Ion Pacepa, and he was the former Deputy Chief of Foreign Intelligence of Romania.

He defected in 1978. He has relocated here. He did not want to appear for his own security reasons. He is under another name at this point in time, but I do have a sworn statement. I interviewed him at length last year, and my staff also went into detail with him. He goes into great detail here recording his own experience in Romania, and frankly, the testimony we have heard this morning of Dr. Bittman is strikingly similar to the testimony in this sworn statement, which is dated 10 years later. I hope to put this in the record on Thursday, once we get it cleared. Mr. Pacepa defected in 1978. You defected in 1968, but it appears, just generally speaking, that not much has changed during that 10-year period.

There is one part of his testimony, the end of it, that I know is cleared, I want to read this to you, Dr. Bittman, and see if you generally would agree with this. Quoting Mr. Pacepa:

> Critical economic problems are confronting most of the other Eastern European countries, Poland and Yugoslavia being in the worst trouble. These problems stem directly from the political-economic structure of Communist society and cannot be resolved within the Communist system.
>
> In order to survive, these countries need real money and real markets, and only the capitalist world can provide them. They desperately need advantageous credits and hard currencies and other financial favors, and only the International Monetary Fund and other sources funded or guaranteed by the tax money of American and other Western governments can provide these.
>
> They badly need Most Favored Nation status, and only the United States can provide that. If ways could be found to make Most Favored Nations status, international government credits and other financial favors involving tax money and American tax money contingent upon a formal, solemn pronunciation of espionage against the United States or at least on American soil, it would be looked upon by the Communist governments as another act of power, and it would be respected.

Would you generally agree with that or disagree with it? Basically, the suggestion is that the Eastern European nations be judged, in terms of our economic relationships, on the basis of their own control by the KGB and their espionage activities against this country.

Mr. BITTMAN. It is a very sensitive issue for the Soviets, yes, because if they, if they——

Senator NUNN. I am speaking of East European nations now, because that is the suggestion he is making now. He is not saying the Soviets as much as the East European nations.

Mr. BITTMAN. Yes. I am thinking, for example, about East Germany. A year ago, when the West German Chancellor wanted to visit East Germany to establish closer economic relations between East Germany and West Germany, it became an important issue for the Soviets. They didn't like and do not want to permit these closer relations, and finally, the East Germans—under Soviet pressure—decided against it, and called off the meeting.

I think the Soviets were afraid the East Germans would profit from it economically, and it would eventually influence thinking in East Europe among the satellite countries.

Senator NUNN. What I am asking is—and I know my time expired—if you believe that economic favors or economic relationships should be directly contingent on the degree of espionage activity against this country by Eastern European nations, whether you think that tie makes sense.

Mr. BITTMAN. Well, that's a very complicated issue.

Senator NUNN. In other words, should we be giving most-favored-nation treatment to Romania if they are spying against this country?

Mr. BITTMAN. I, if I were to decide how to treat Eastern bloc, I would say that reciprocity is very important. But I'm afraid that I couldn't go into detail, particularly in the field of business and economic affairs, because that's not my field of expertise.

Senator NUNN. Thank you very much. We appreciate you being here and your cooperation.

Chairman ROTH. I have just one final question. Going back to these cultural exchanges and the risks involved in them, do you have any recommendation as to how we could reduce the exposure? For example, should limitations be placed upon the individuals who come here?

I understand in the past that some of the so-called students have been older people, well in their forties. Would it make any sense, for example, to try to refine that, say that they had to be people in their teens or twenties or any other kind of restrictions?

Mr. BITTMAN. Well, as far as the participants are concerned, that might be a little complicated, because there are many students in their thirties in Eastern Europe, but we should have the opportunity to check whether these people are really students.

The Soviet bloc countries have a tendency to send a group of 10 students and 8 officials or people who are supposed to watch them. There should be an opportunity to check that the people who are coming are really students from Charles University or Moscow University or the University of Warsaw.

That shouldn't be too difficult.

Chairman ROTH. I, too, wanted to thank you for being here today. I think your testimony has been most helpful, and we may want to contact you at a later time.

Thank you very much.

Mr. BITTMAN. Thank you.

Chairman ROTH. Our next witness is James Harper, Jr. If you will remain standing, please, and raise your right hand.

Do you swear the testimony you will give before this subcommittee with be the truth, the whole truth and nothing but the truth, so help you God?

Mr. HARPER. I do.

Chairman ROTH. Thank you. Please be seated. I believe you have a prepared statement. Before you commence with your prepared statement, please introduce those accompanying you.

TESTIMONY OF JAMES DURWARD HARPER, JR., FEDERAL PRISONER

Mr. HARPER. My counsels, sitting on my immediate left, Jerrold Ladar, and Mrs Jerrold Ladar.

Chairman ROTH. OK. As I said, I understand you have a prepared statement. Would you please proceed with that?

Mr. HARPER. OK. Chairman Roth, members of the subcommittee——

Senator COHEN. Pull the mike up closer, please.

Chairman ROTH. Yes, we can't hear you.

Mr. HARPER. How we doing?

Chairman Roth, members of the subcommittee, my name is James Durwood Harper, Jr. On May 14, 1984, following my plea of guilty, I was sentenced to life in prison. My crime was selling national defense information and high-technology industrial information of the United States to Polish intelligence acts in exchange for $250,000.

My story is a very long and involved one, some portions of which are not appropriate for this type of open forum. However, I will try to cover fully those portions which are pertinent to the focus of these hearings.

My involvement begain in 1975, as part of what I believe at the time to be a scheme to acquire embargoed industrial technology that would be illegally shipped through a middleman to the Polish and Soviet Governments.

At the time, I had recently lost control of the company I started and made grow into a successful entrerprise, Harper Time and Electronics, a Silicon Valley firm. We had developed and marketed the world's first digital stopwatch and developed a number of other high-technology products. I was personally well known in that part of California, having started there as a technician in 1955. I had many contacts in and knew the buzz words of the valley. I used them to my best advantage.

My recruitment as a spy was not classic in the sense that I was not approached by foreign agents directly to obtain industrial technology, but by an American named William Hugle, who I knew to be the head of a front company that was involved almost exclusively in illegal exports. He had numerous contacts with what I thought to be businessmen from Poland and other East European countries, as well as the Soviet Union.

On the first day I was approached, I had run into Bill at a bar we both frequented. He knew of my vast contacts in Silicon Valley and asked if I would be interested in making some money by acquiring items on a shopping list. The list he showed me supposedly came from an official of the Polish Ministry of Heavy Machinery named Zdzislaw Przychodzien. The list consisted of about 30 items ranging from a tank-launched missile system to something as innocuous as a color photo processing kit. I soon found that acquiring many of the items was a simple task. If I couldn't directly purchase them, I would get on the phone, make some inquiries, and eventually get the necessary information to write the manufacturing document myself. I continued this activity off and on for about 4 years.

In the spring of 1979, I ran into an old friend named Ruby Louise Schuler, who I was later to marry. Louise was working as executive secretary for a defense contractor, and during the course of our relationship, I saw the opportunity to gather defense information for Hugle and his foreign contacts.

I told Louise that we could both make money on the deal, and so she began to bring me unclassified papers which I packaged up to show Hugle, thinking he could get them to the Poles or Romanians. Hugle, however, was traveling.

By this time, the statute of limitations of a Commerce Department investigation of his company had expired, so I could easily get in touch with him through his son. He asked that I meet him in Geneva, which I did. After seeing the material I brought, Hugle telephoned Przychodzien, and a meeting was set up a few days later on July 16, 1979, in Warsaw.

That was the first of many meetings I had with "Zizs" during which I passed information, most of which was unclassified, though he paid me anyway, and others of which were classified and dealt with U.S. missile defenses. Zizs and I began working together after Hugle was cut out of the picture, and we dealt one-on-one. Though I know what I was doing was wrong, I didn't fully realize that Zizs was a Polish intelligence officer until after my arrest. He maintained he was a businessman and seemed to know a great deal about the companies and way of life in the Silicon Valley. He talked about having worked in New York as a member of the Polish trade delegation and said he met many American businessmen through that position. Indeed, I had knowledge of East bloc businessmen frequenting trade shows in Silicon Valley.

From the outset of our meetings, however, it was clear to me that the information I was providing was not for use by the Polish Ministry of Heavy Machinery. The important items were all military-related and far above the level of sophistication for use by the Polish national defense forces. Additionally, everything I gave him had to be checked over and analyzed by others, who Zizs told me were the Soviets. Likewise, in other conversations with Zizs, it was clear that his shopping lists were only a part of a much larger list provided by the Soviets.

The Soviet involvement was later confirmed when, after my arrest, I learned that a Polish defector described for the FBI how every item I was to collect and every aspect of my handling by the Polies was directed from Moscow. Indeed, after I provided one such large batch of unclassified materials to Przychodzien, for which I received $100,000, Przychodzien was personally awarded a Soviet commendation by then KGB-chief Yuri Andropov.

I know I can't take back what I have done, but I do hope that through my testimony, the general public and the business community, in particular, will understand that any dealings with East bloc officials are only one short step removed, if that, from dealing directly with the Soviet Union.

I will now try to answer your questions as best I can.

Chairman ROTH. Mr. Haper, what was your motivation for what you did? Was it basically for financial gain?

Mr. HARPER. Yes.

Chairman ROTH. How many batches of documents did you deliver to your Polish contacts, and when and where did you deliver them?

Mr. HARPER. You want to know the whole sequence?

Chairman ROTH. Yes.

Mr. HARPER. OK. I will try to recall it as best I can. As I said in the statement here, it is long and drawn out and involved.

The first time I delivered anything was July 16, 1979 in Warsaw, when Hugle and I first flew in to meet with Przychodzien. Of course, Hugle had known him for years. I delivered at that time some unclassified documents that could best be described as a "tickler" set of abstracts, nothing was really complete.

Chairman ROTH. When did you deliver further documents?

Mr. HARPER. After that, at another meeting on October 10 in another meeting with Hugle and Przychodzien again.

[At this point, Senator Nunn withdrew from the hearing room.]

Mr. **Harper**. At that time, Przychodzien advised me that one of the tickler documents that I had delivered in the previous meeting was interesting enough to them that they—he offered to pay me $15,000 for it if I would give him the complement to the abstract that I had delivered previously.

At that time, well, at that time——

Chairman **Roth** [interposing]. Did you ever deliver any documents to Moscow or Mexico?

Mr. **Harper**. In Mexico, yes.

Chairman **Roth**. Was Hugle a well-known figure in Silicon Valley? Did many people know of his Polish, Eastern European, and Soviet connections?

Mr. **Harper**. Yes.

Chairman **Roth**. Were there many other people in the area who were known to have such connections or similar connections with representatives of the Eastern bloc?

Mr. **Harper**. Yes, sir; there had to be. Hugle was the only one that I could honestly say that I knew of for sure.

Chairman **Roth**. Let me ask you this: If you did not have specific knowledge of others, were there other individuals in the area to whom you could have possibly turned to, to establish such a connection? Were there rumors, speculation, or general——

Mr. **Harper**. I would have had to follow rumor and speculation and ferret out another person, which I'm sure I could have done.

Chairman **Roth**. Was it general knowledge that there were a number of people with this kind of background in Silicon Valley?

Mr. **Harper**. Yes; yes, it was.

Chairman **Roth**. Was there any concern in the business community of Silicon Valley that you knew of about your connection with the Eastern bloc?

Mr. **Harper**. If there was any concern with the people that I knew about and was dealing with, they were concerned that they weren't in on it and making money themselves. They weren't necessarily concerned about anything else. Silicon Valley, during this period of time, and maybe still now, is boom town atmosphere.

Chairman **Roth**. Would you explain the shopping list of information and materials which you were directed to obtain?

Mr. **Harper**. To the best of my knowledge, the master list compiles in Moscow, someplace in the Soviet Union, probably Moscow.

That master list is put together using the combined resources, information and intelligence resources that the Soviets have at their disposal to put such a list together. From Moscow, the list—in Moscow, the list is edited and broken down as a function of the contacts that other people in their group have. For instance, taking the case of Przychodzien, a list in Moscow was broken down, prepared especially for Przychodzien. In terms of the contacts that he had developed over the years and the type of information that his contacts could get over the years. Then Przychodzien himself would further break down the list and pass it on to certain of his contacts, one of which I eventually became.

At the time that I saw that first contact, it was passed on through Hugle, and it was made up as a function of what they thought Hugle could provide because of past experience with him.

Chairman ROTH. Did your Polish contact advise you not to obtain some materials that you offered to obtain?

Mr. HARPER. Yes; they did, on a couple of occasions. I could have supplied more to them, more different items to them than I did, but they, after I started working with them, they chose to prioritize the items I was working on to minimize the possible risk of me being caught, because I was operating on too wide a basis.

Chairman ROTH. You are an engineer by background; is that correct?

Mr. HARPER. Yes.

Chairman ROTH. Do you have a college degree?

Mr. HARPER. No; I don't.

Chairman ROTH. Did it bother you that by supplying this information that you were helping a potential enemy of the United States?

Mr. HARPER. Yes, it did, eventually, and that's what caused me to try to put together the immunity deal with the Government that I had my original attorney working on, and which ultimately caused me to be caught.

Chairman ROTH. Why do you say eventually? Why not at the beginning?

Mr. HARPER. In the beginning, I wasn't working with anything—in the beginning, I was working with industrial information. Then I graduated on to unclassified military information; eventually into classified military information. When I started working with that, I developed a different viewpoint about what I was doing.

Chairman ROTH. It is my understanding that you indicated to staff when they were investigating that you initially believed you were merely violating the Export Administration Act. Is that correct?

Mr. HARPER. That's true as long as I was dealing with industrial information.

Chairman ROTH. Let me ask you this: Were you involved in any way with an effort to kidnap a Polish defector?

Mr. HARPER. Yes; I was.

Chairman ROTH. Would you please explain?

Mr. HARPER. I should give you some background to make an explanation more useful.

Chairman ROTH. Please proceed.

Mr. HARPER. Help you understand the explanation. On June 6, 1980, I went into Warsaw with two suitcases full of unclassified documents that Louise had gathered for me from SCI.

Chairman ROTH. Would you pull that up a little closer? It is hard to hear.

Mr. HARPER. OK. Better? OK, better.

Let me go back one more step further, further back. In October 1979, when I was in Vienna, I left off what I called a second abstract of information that I had available for delivery.

[At this point, Senator Levin entered the hearing room.]

Mr. HARPER. This was unclassified information that I had offered to them as documents available in advance of classification. In other words, I had told Przychodzien that my source of the information was so hot and raw that I was getting—I had documents available to me in advance of classification, extremely sensitive documents available to me through my sources in advance of classification. I had them believing that.

I presented them an abstract of all those documents in October 1979. I went back in in June 1980 to find out if they had an interest in data base tapes, which is something that had become available to me in the intervening period, and when I went back in in June 1980, I found out that they were extremely interested in the items that I had in abstract No. 2.

I was told that if—I was told that if I would return to the United States and recover the documents from where I had them hidden—and I had them hidden on the river bank, Sacramento River bank for about 6 months. I was told if I would return with those documents, they would pay me $100,000 and that if I would continue to do that two times a year henceforth and forever more, that they would give me $100,000 every time I came into Warsaw with that type of documentation.

I returned to California. I recovered the documents. They were in damaged condition; recollated them; put them back together; took them back into Warsaw, and delivered them and received $100,000.

Now I have forgotten what the original question was.

[Discussion with counsel held off the record.]

Mr. HARPER. Oh, OK. Now, this was about two suitcases full of documentation, a pile about 3 foot high, a pile about 3 feet high, wet and soggy and physically damaged because of where I had them stored.

It was on the eve of a Polish holiday. Everybody was tired and working quickly. I delivered the documents. Przychodzien passed them onto somebody else. They were picked up very quickly, analyzed in a hurry, and as Przychodzien described it to me, because of the pending or the upcoming holiday, everybody was in a party mood and the agents that were analyzing the documents were starting to get drunk. I think they got drunk and tired, and looking at that material that I took into them, they decided to give me $100,000 and send me on my way, which they did.

Now, still believing that I was furnishing information in advance of classification that was extremely sensitive and high and hot, their analysts started looking at the information. As they started looking at it, they continued to believe that they had information in front of them in advance of classification and was supersensitive.

Their analysts passed the word, evidently, to the hierachy of the KGB, and they jumped the gun and gave Przychodzien and his boss a medal of commendation for that information that I brought in.

Now, I think that what happened was that the defector who was working right there in—with the same group as Przychodzien sensed the opportunity to take this story about how an American businessman had brought in all this two suitcases full of hot material and delivered it, and it was so hot that an award was given, I think he used that for his entry out of the Eastern bloc into our camp.

Shortly after—I delivered the documents in June; the award was given in July, before the analyst had come back and actually told anybody that it wasn't originally as hot as they thought it was. Sometime between July and September of that same year, the defector came out with this story about how I had taken the documents in.

Now, when I went back in on the next trip in September, Pszychodzien told me about a defector that they wanted to recover who was living in the Sacramento area that they had a fix on, and they were going to give me enough information so that I could get a fix on him when I came back to the United States, and they told me that if I could get him into Cuba alive that they would give me $1 million for doing that.

Now, I didn't realize that that was the same defector until after I was arrested and put two and two together on that deal myself.

Chairman ROTH. What was your response to this proposal?

Mr. HARPER. I told him that it sounded interesting and that I would give it—I would give its implementation a lot of thought in the intervening period between when I was talking to him then and the next time I went back.

Chairman ROTH. Did you take any steps to follow through, or how did you plan to implement it?

Mr. HARPER. On my next meeting, he cut me short on the whole subject and didn't want to pursue it with me.

Chairman ROTH. Did you take any steps in between to follow through?

Mr. HARPER. Not really, no. I had—just gave it some idle thought, I would say.

Chairman ROTH. Do you think what you did has happened many other times in that area? Do you have any knowledge of other business people providing such information to the Soviet bloc?

Mr. HARPER. Defense information out of Silicon Valley?

Chairman ROTH. What was that again?

Mr. HARPER. You are talking about defense secrets out of Silicon Valley.

Chairman ROTH. Yes, that is correct.

Mr. HARPER. My area.

Chairman ROTH. Or technical information.

Mr. HARPER. A lot of technical information.

Chairman ROTH. Was sold to the Soviet bloc?

Mr. HARPER. Technical information; manufacturing information; hardware—not only manufacturing equipment, but extremely hard circuits to obtain—and finished goods.

Chairman ROTH. Was it done with knowledge that it was going to the Soviet bloc?

Mr. HARPER. I'm sure it was. I've read numerous newspaper accounts about people that were arrested for doing that out of Silicon Valley.

Chairman ROTH. Earlier on in your testimony, you spoke that there was sort of a climate there to make a fast buck. Is that correct?

Mr. HARPER. Yes it was, and it probably still is. The word I used was boom town atmosphere or climate.

Chairman ROTH. Did you ever attend any high technology trade association meetings of any sort?

Mr. HARPER. I wasn't really big on attending those kind of meetings. Most of the meetings that I attended in pursuit of this type of business took place in bars, restaurants.

Chairman Roth. In your opening statement, I think you stated that you were able to obtain, if the information wasn't available in writing, that you were able to obtain relatively easily the necessary information to supply the requested material to your contact; is that correct?

Mr. Harper. Yes.

Chairman Roth. Is there free exchange? As an engineer, could you call up almost any business and obtain confidential technical information, whether or not classified? Was it a free flow, such a flee flow that it was readily accessible to you or anybody else?

Mr. Harper. Yes. Sometimes you could get it just because you had a friend properly placed. Other times you might get valuable information like that by misrepresenting your need.

Chairman Roth. Did your wife, Louise Schuler, have any difficulty in obtaining the classified documents you sold?

Mr. Harper. No, not—well, we had to go—we had to set up the mechanics, which we naturally had to go through, but they were fairly well organized and went fairly smoothly.

Chairman Roth. What was the level of security enforced at her business?

Mr. Harper. She had a secret clearance.

Chairman Roth. She had a secret clearance. Was she familiar with the responsibility of an individual who has such a clearance?

Mr. Harper. Yes, during the period of time when we started working with the documents that we knew were definitely classified.

Chairman Roth. But what kind of security measures did the company take? Were you able to get into the company and look at their documents yourself?

Mr. Harper. On at least one occasion I was in the company when Louise had the safe open, and I looked inside of it. I don't believe I handled any of the documents or took anything out. I think at the same time there may have been a couple of documents out, checked.

Chairman Roth. Were you aware of any security measures being taken by the company?

Mr. Harper. Yes. They took some security measures. I think the question is whether they were adequate.

Chairman Roth. What were their security measures?

Mr. Harper. Well, they issued that safe to somebody who had a clearance, for one thing. They wouldn't have issued that safe to somebody who didn't have a clearance.

Chairman Roth. Did you think those measures were adequate?

Mr. Harper. No, they weren't.

Chairman Roth. Did you have any security clearance?

Mr. Harper. At the time, I did not. In the past, I have had three different security clearances in the past.

Chairman Roth. Were you working at that time in Silicon Valley?

Mr. Harper. I had one when I was working for Aerojet General Corp. in California. I had one when I was on the White Alice communications system up in Alaska, and I had one when I was president of a company that I had before the one I described in my statement that was making a lot of equipment that was used in airborne ECM equipment.

Chairman ROTH. What was your clearance?

Mr. HARPER. They were all secret.

Chairman ROTH. They were all secret. As president of the company, what measures did you take to provide security?

Mr. HARPER. I didn't really have that much trouble, because we didn't have any documents around, and we were only supplying components that were going into a physical system. The physical system itself is really what had classification on it. For somebody to have gotten information on how I designed and how we built those components would have been very little use to them.

Chairman ROTH. Did you have any reason to have a security clearance, then? Was that necessary for your job?

Mr. HARPER. On my last one, it was, because my largest customer was Sanders Associated, in Ashland, NH, and as president of the company, I was calling on them personally, and in order to do so, I had to have a security clearance because I was in high security areas.

Chairman ROTH. How about in the other cases? Was it necessary in those instances?

Mr. HARPER. The other case, when I was a technician on the White Alice system up in Alaska, I was on various sites. For instance one, it was 33 miles from Siberia, an aircraft warning and control site at Ten Z Alaska.

We, the White Alice technicians, were housed right in the military housing there at Ten Z. Every technician in that system—as a matter of fact, everybody who worked in that system for Federal Electric had to have a clearance.

Chairman ROTH. Senator Cohen?

Senator COHEN. Thank you, Mr. Chairman.

Mr. Harper, when did you put two and two together with respect to the defector? You said that you had not put two and two together that the man they sent you to look for and to kidnap and bring to Cuba was, in fact, the man who held the secret to your demise.

Mr. HARPER. During the debriefing and preparation for polygraph testing that I went through when I was at MCC San Diego for 90 days.

Senator COHEN. So at no time did you know that the person that you were requested to kidnap was the man who, in fact, had the information concerning your activities?

Mr. HARPER. I'm sorry. That was sort of a compound question. I didn't follow it.

Senator COHEN. What I am trying to determine is when did you have a knowledge that the person you were going to kidnap or were asked to kidnap was, in fact, the man who had the secrets or the story about you being in Warsaw delivering documents to the Polish and Soviet intelligence authorities?

Mr. HARPER. Quite simply, after I was arrested.

Senator COHEN. That is the first time.

Mr. HARPER. The Polish men didn't let me know it.

Senator COHEN. At what point did you decide you wanted to seek immunity?

Mr. HARPER. I first approached, I first approached Dougherty in August 1980. The first thoughts that I had about putting a deal together with the Government as a double agent was after I had delivered those unclassified documents in Warsaw in June 1980 and was flying out of there with $100,000. That was a real shock to me, the magnitude of what I was doing.

Senator COHEN. That is the same flight back in which you were asked to kidnap the Polish defector?

Mr. HARPER. No. That flight preceded the defection. That was in June 1980. He didn't defect until after July 1980, after the award was made to Prozychodzien and his boss.

Senator COHEN. OK. then you went back to Warsaw again?

Mr. HARPER. In September 1980.

Senator COHEN. But in August 1980, you made your first approach to U.S. authorities about the possibility of being a double agent?

Mr. HARPER. August 1981, excuse me; August 1981. I blew it by a year.

Senator COHEN. It was a bit confusing to me.

Mr. HARPER. Yes, it was. I see why. Yes. It was 1981. It was August 1981 that I first did that.

Senator COHEN. So you went back to Warsaw again in either July or August 1980?

Mr. HARPER. I went back to—my third trip—my first trip into Warsaw was when, with the Hugle meeting.

My second trip into Warsaw was when I delivered the wet documents and I got $100,000.

The third trip into Warsaw was September 9, 1980, and that's when I learned that they were interested in bringing this man out.

Senator COHEN. When did you go back again?

Mr. HARPER. I went back again in November 1980.

Senator COHEN. And you were the one who raised the issue as to whether they were still interested in grabbing this defector?

Mr. HARPER. Yes.

Senator COHEN. And it wasn't until the following year, then, that you decided to try and cooperate with U.S. officials?

Mr. HARPER. That's true.

Senator COHEN. Let me ask you. You indicated that when you lost control of your company you sort of put the word out, certain buzz words. According to your testimony, you said, "I had many contacts and knew the buzz words of the valley."

Were you, in fact, once you lost control and were in need of money, putting the word out that you were available to sell information for money? Is that what you meant by buzz words?

Mr. HARPER. Oh, no. What I mean by buzz words are Silicon Valley buzz words as opposed to Washington, DC. buzz words, political buzz words as opposed to, say, electronic technoid buzz words. Every area, every profession has got—the legal profession has got its buzz words, problably the most confusing of all.

Senator COHEN. I just didn't understand it in the context of after having lost control.

Mr. HARPER. You do have it out of context, I can say that. I'm not sure I can answer your question.

Senator COHEN. I am trying to find out what happened. You lost control of the company; you are out of a job. You needed money. What did you do? You went to a bar, and you met Bill?

Mr. HARPER. No. I did a lot of other things, as well. That wasn't the only thing that I did for subsistence during that period of time.

Senator COHEN. He first, according to your testimony, he first approached you.

Mr. HARPER. Yes; I think it was in the latter part of 1975, after I had been away from my old company for over a year.

Senator COHEN. Was the word out somehow that you were available as somebody who might be interested in doing business with this fellow?

Mr. HARPER. No. It happened quite by chance, just a random conservation that got started in a bar, and had a short trip that—where I took him from that bar over to an apartment to meet with his wife and then back to the bar that we were at. At that particular point, at that particular time, most of the business that I was doing had to do with the digital watch business and some travel that I was doing back and forth between Silicon Valley and Switzerland.

Senator COHEN. But you knew from his reputation that he was in the shady business?

Mr. HARPER. Oh, yeah. yeah.

Senator COHEN. So the word was out on him?

Mr. HARPER. Yes; that's true. That's true.

Senator COHEN. The chairman asked you about what kind of security measures were taken at the company in which you operated with respect to the installation in which your wife worked. What are we to do to prevent future James Harpers from compromising the future of the country? What recommendation would you have? Do we put a counterintelligence officer in most of the bars and restaurants in Silicon Valley and just sort of float around some proposals about would they be interested in selling secrets? What would you recommend?

Mr. HARPER. In my particular case, that wouldn't have gotten the security community anywhere. I don't think this sort of thing was—I don't remember discussing this with anybody in the bar. When I made that statement about carrying on business and discussions in a bar, it has to do primarily with industrial level information.

Get me back to zero with the question?

Senator COHEN. I just want to know, what would you recommend that we do to prevent future James Harpers from committing the same sort of thing that you did? What measures would you recommend that we take?

Mr. HARPER. OK. I, just last night, in anticipation of that question, I made up a list of things here that I think might be worthwhile considering. They are not necessarily in any order. I think that periodic reinvestigations of people with security clearances would help a lot. As I mentioned to you, in my case, I had three security clearances at one time in my professional career.

Senator COHEN. Let's suppose you had the security clearance while you operated your company and then you left that company, lost the company. Can't we reinvestigate you at that point?

Mr. HARPER. That's a subtlety that I hadn't considered; in other words, the sequence of these reinvestigations. I don't know. That is something that would probably be worthy of a study in itself.

Senator COHEN. Why don't you read what you do have of recommendations? I am told my time is up, so why don't you read what you do have as recommendations.

Mr. HARPER. OK. The periodic reinvestigations; a data base of personality profiles; passport/travel control. When I say something like that, I usually mean the difference in what we have right now. I know we do have passport and travel control, but it obviously isn't adequate.

Look for financial incumberment; marriage stability in individuals; liberal use of lie detectors; have a company security officer where there are high security documents or sensitive documents that works for the Government rather than the company that is using the documents; stricter need to know follow-through; more discreetly stratified security levels and access authority.

In other words, we hav got secret, top-secret and so on. I think that there is probably room for several intermediate steps in there. Better security staff indoctrination and reindoctrination of dos and don'ts; immunity from harassment for security violation whistleblowing; consider the fact that good security precautions and individual liberties may be in conflict.

That's the end of the list.

Senator COHEN. Thank you very much.

Chairman ROTH. Senator Levin.

Senator LEVIN. I would like to talk to you about the location of your contacts, where those contacts took place.

[At this point, Senator Cohen withdrew from the hearing room.]

Senator LEVIN. The first contact was with an American, as I understand it. That was in California. Did you have any contacts with Polish officials or business people in the United States?

Mr. HARPER. No; I don't recall any.

Senator LEVIN. If they had taken place, would you be able to recall?

Mr. HARPER. Well, that is something vague hanging around in my mind about meeting a Pole in the Valley there, but I can't recall it. This is the first time anybody has asked me that. It's so vague.

Senator LEVIN. This is the first time anybody has asked you whether you had contacts with Polish officials in the United States?

Mr. HARPER. The first time I can recall it, yes.

Senator LEVIN. You didn't meet with Prozychodzien in the United States anywhere?

Mr. HARPER. No; I didn't.

Senator LEVIN. You have had meetings in Geneva and Warsaw with Polish officials, didn't you?

Mr. HARPER. I had a meeting in Warsaw and Vienna with Prozychodzien. That is the only two places that I ever met with him.

Senator LEVIN. Who did you meet in Geneva?

Mr. HARPER. Geneva is where Hugle and I got together and kicked this all beginning.

Senator LEVIN. So your meeting with Hugle was in Warsaw and Vienna?

Mr. HARPER. Yes.

Senator LEVIN. You mentioned in one of your recommendations there should be greater control over travel. Are you referring to travel of Americans abroad to Geneva and Warsaw, or are you talking about travel of Polish officials or business people here?

Mr. HARPER. Well, my statement referred to travel of American personnel. If you consider the fact that in the most recent espionage cases there is almost, without exception, there has been cases of foreign travel.

Senator LEVIN. Of Americans traveling abroad?

Mr. HARPER. Yes. However, you made a good point. It should be in both directions.

Senator LEVIN. But in your particular statement, then, you are talking about travel in both directions or Americans traveling abroad or what?

Mr. HARPER. I'm talking about Americans traveling abroad, where they are going, and what they're doing, and probably very strict and thorough debriefing upon their return.

Senator LEVIN. This is just ordinary Americans, average Americans traveling abroad?

Mr. HARPER. No, not necessarily. I was thinking primarily of people who had access to sensitive information.

Senator LEVIN. Anybody with a clearance of any kind who travels abroad would then be debriefed upon his arrival?

Mr. HARPER. Yes, and maybe American citizens who do, for one reason for another, go beyond the Curtain or Eastern bloc.

Senator LEVIN. Even if they don't have clearances?

Mr. HARPER. Even if they don't.

Senator LEVIN. Thank you, Mr. Chairman.

[At this point, Senator Levin withdrew from the hearing room.]

Chairman ROTH. I just have a couple more questions, Mr. Harper.

Was there anything the Government could have done that would have deterred you from taking this action against your country?

Mr. HARPER. They could have made it impossible for me to get the documents.

Chairman ROTH. At the time that you think——

Mr. HARPER. Excuse me.

Chairman ROTH. Sorry.

Mr. HARPER. In relation to what Mr. Levin has said, here was a case of when I went into Warsaw, for instance, I was an American citizen on vacation in Europe, and I went into Warsaw without having to go to an embassy for a visa or anything like that. In that particular case, the only way that they would have ever found out where I was was with a through debriefing when a traveling American citizen without a clearance got back, and I think that that is something that would be very hard to put into effect.

Chairman ROTH. Going back to when you took that first step, was there anything at that time? Did you have any qualms about the direction you were heading? Did you feel that you could get away with the action?

Mr. HARPER. Yes, I felt that I could get away with it. And I did have qualms. I had a lot of mixed emotions.

Chairman ROTH. Mr. Harper, do you now really reqret what you did to your country, or do you primarily regret that you were caught?

Mr. HARPER. I regret that I was caught, and I regret that I—what I did to the country, to my country. I reqret both of them.

Chairman ROTH. I believe that is all the questions. You are excused. Mr. Harper.

We will continue these hearings on Thursday, December 5, 1985, at 10 a.m. will·have at that time representatives from the State Department on the issues that have been raised thus far. The subcommittee is in recess.

[Whereupon, at 12:45 p.m., the subcommittee was recessed to reconvene Thursday, December 5, 1985.]

FOREIGN MISSIONS ACT AND ESPIONAGE ACTIVITIES IN THE UNITED STATES

THURSDAY, DECEMBER 5, 1985

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The subcommittee met at 10:05 a.m., in room SD-342, Dirksen Senate Office Building, under authority of Senate Resolution 76, section 13, dated March 2, 1983, Hon. William V. Roth, Jr., chairman of the subcommittee, presiding.

Members of the subcommittee present: Senator William V. Roth, Jr., Republican, Delaware; Senator William Cohen, Republican, Maine; and Senator Sam Nunn, Democrat, Georgia.

Members of the professional staff present: Daniel Rinzel, chief counsel; Katherine C. Bidden, chief clerk; John F. Sopko, assistant counsel for the minority; Lenny Willis, minority investigator; David Glendinning, staff counsel; Mary Vinson, majority investigator; Cindy Comstock and Sallie Cribbs, staff assistants; and Charlies Osolin, press secretary.

[Senator present at convening of hearing: Senator Roth.]

Chairman ROTH. The subcommittee will come to order.

[The letter of authority follows:]

WILLIAM V. ROTH, JR., DELAWARE, CHAIRMAN

TED STEVENS, ALASKA
CHARLES MC C. MATHIAS, JR., MARYLAND
WILLIAM S. COHEN, MAINE
DAVID DURENBERGER, MINNESOTA
WARREN B. RUDMAN, NEW HAMPSHIRE
THAD COCHRAN, MISSISSIPPI

THOMAS F. EAGLETON, MISSOURI
LAWTON CHILES, FLORIDA
SAM NUNN, GEORGIA
JOHN GLENN, OHIO
CARL LEVIN, MICHIGAN
ALBERT GORE, JR., TENNESSEE

JOHN M. DUNCAN, STAFF DIRECTOR
MARGARET P. CRENSHAW, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
SENATE PERMANENT SUBCOMMITTEE
ON INVESTIGATIONS
WASHINGTON, DC 20510

SUBCOMMITTEE
WILLIAM V. ROTH, JR., DELAWARE, CHAIRMAN
WARREN B. RUDMAN, NEW HAMPSHIRE, VICE CHAIRMAN

CHARLES MC C. MATHIAS, JR., MARYLAND
WILLIAM S. COHEN, MAINE
THAD COCHRAN, MISSISSIPPI
TED STEVENS, ALASKA

SAM NUNN, GEORGIA
LAWTON CHILES, FLORIDA
JOHN GLENN, OHIO
CARL LEVIN, MICHIGAN
ALBERT GORE, JR., TENNESSEE

DANIEL F. RINZEL, CHIEF COUNSEL
ELEANORE J. HILL, CHIEF COUNSEL TO THE MINORITY

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any Member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with hearings on Soviet Intelligence Apparatus, to be held October 22, December 3 and 5, 1985.

Bill Roth
Chairman

Ranking Minority Member

OPENING STATEMENT OF CHAIRMAN ROTH

Chairman ROTH. This morning the subcommittee concludes its hearings on espionage activities of the Soviets and their surrogate services against the United States.

I believe that our first 2 days of hearings have been extremely enlightening. We have received incontrovertible evidence from such knowledgeable witnesses as the Director of the FBI, an Assistant Secretary of Defense, senatorial colleagues, a former foreign intelligence operative, as well as a convicted American spy, that the Soviet Union is engaged in a massive, ongoing intelligence collection effort within our borders. That, of course, comes as no surprise.

We also learned from these witnesses how the Soviets conduct their espionage business through the liberal use of surrogate nations and false fronts. The extent of Soviet cooption of their stepchild nations has not been previously discussed in a public forum to this extent.

All our witnesses have confirmed that the Soviet Union, even though its own United States-based officials are restricted in travel and access, obtains national security secrets and industrial information from the United States through Eastern bloc nation diplomats and others who are unrestricted in their access to America and our people.

We have experienced an invasion of American soil by operatives of the Soviet Union who cloak their work in the banner of Eastern Europe and Cuba. Agents of such nations have for too long been mistakenly treated as less of a threat than the Kremlin puppeteers who control their actions.

If the Soviets are denied access to the Silicon Valley, for example, all they need to do is call upon an operative of Polish intelligence and disguise him as a Polamco businessman, to make their connection. Or, in contrast, they can send a minor diplomat from Hungary to California on an alleged vacation. In either case, the information can be collected, and we are made the fool for not recognizing and acting on that threat—that reality.

I will be introducing legislation, along with some of my colleagues, to put an end to this foolishness. It will subject the bloc nations of Poland, Czechoslovakia, Romania, Bulgaria, Hungary, East Germany, as well as Cuba to the same travel restrictions of Soviet diplomatic personnel. And another bill will deny the present exemption from the Foreign Agents Registration Act that Soviet, certain East European and Cuban businesses enjoy in the United States.

I am very pleased that today we will hear from the State Department, whose responsibility it is to accredit and regulate foreign missions to the United States. We want to know what they have done to decrease the threat our enemies pose within our borders and when they plan to implement the law regarding equivalency in numbers between the United States and Soviet diplomats and consular personnel in each other's country.

At this time, we would like very much to call forward James Nolan, who is Director of the Office of Foreign Missions, Department of State.

Mr. Nolan, under the rules of the subcommittee, all witnesses are sworn. Will you please raise your right hand.

Do you swear that the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth so help you God?

Mr. NOLAN. I do.

Chairman. ROTH. Thank you. We are very pleased to have you here today. You can either read your statement, or if you want to summarize it, it will be included as if read.

TESTIMONY OF JAMES E. NOLAN, JR., DIRECTOR, OFFICE OF FOREIGN MISSIONS

Mr. NOLAN. Thank you very much, Mr. Chairman. It is a very brief statement, and I would like to read it for the record.

Chairman. ROTH. Please proceed.

Mr. NOLAN. I am very pleased to appear before the committee this morning to report on how the Office of Foreign Missions contributes to the national security through our implementation of the Foreign Mission Act, which mandates that benefits afforded all foreign missions in the United States be provided on the basis of reciprocity, taking into account similar benefits provided to U.S. missions and their personnel abroad.

The act equally clearly mandates that the Office of Foreign Missions restrict benefits when it is in the interest of the national security of the United States to do so. The Department fully recognizes the equal importance of both of those responsibilities and that recognition is manifest in both the priorities and resource allocations of the Office of Foreign Missions.

As one who has spent virtually all of my nearly 25 years in the FBI in the field of foreign counterintelligence before coming to the Department of State in 1983 to become Director of the Office of Foreign Missions, I am keenly aware of the substantial problems faced by U.S. counterintelligence in protecting this country from the broadly based and unrelenting efforts of hostile intelligence services.

It is no secret that these hostile intelligence services use their embassies, consulates, U.N. missions, commercial offices, and other governmental offices, as well as the U.N. Secretariat in their efforts to obtain our latest technology; to penetrate our agencies of government and our industrial and defense establishments.

To the degree that the Office of Foreign Missions can assist the U.S. counterintelligence community in curbing these efforts through its control of benefits to foreign missions, the Department of State is committed that it will do so.

Judge Webster has spoken of the increased resources provided by the administration and the Congress to counter-intelligence over recent years and that was something which certainly needed to be done. Indeed, I am sure that the growth needs to be continued. But growth in our counterintelligence capabilities is clearly not the sole answer. The size of the problem faced by our counterintelligence agencies must be reduced insofar as possible.

[At this point, Senator Cohen entered the hearing room.]

Mr. NOLAN. Some useful steps have already been taken. Some, obviously, still remain to be taken. However, as one who has been involved in this process for a very long time, it is my judgment that genuine progress is being made because of the strong commitment of both the administration and the Congress.

Such changes don't come easily, and certainly I recognize that the Department of State is perceived by some as reluctant to impose controls. However, I believe, as I outline for you today what has already been accomplished by the Department in the implementation of the foreign Missions Act over the last 3 years, it will be clear that a significant number of effective steps have already been taken to address counter intelligence concerns.

The Department is concerned, of course, that controls imposed in the United States do not cause the operations of U.S. missions abroad, which are already severely constrained, to be still further burdened to a degree that will affect their ability to operate. Nevertheless, additional effective measures will be taken by the Department.

In a public forum, it is difficult, perhaps not prudent, to explore in any depth all the measures being considered, but measures will be taken to reduce the size of the problem and to better control the activities of those foreign missions and their personnel that pause a threat to our national security.

I would like to discuss with you what the Office of Foreign Mission has done to date in the area of travel, acquisition of real property, operation of motor vehicles, and the acquisition of certain other benefits by foreign missions in the United States, which I believe significantly contribute to national security.

In the area of travel, our travel service books all hotel reservations and transportation for Soviet Embassy and consulate personnel as well as personnel assigned to the Soviet, Byelorussia, and Ukrainian missions to the United Nation. The Cuban Interests Section, the Cuban U.N. mission, as well as the U.N. missions of Afghanistan, Libya, Iran, the PLO, North Korea, Vietnam, Outer Mongolia, and Cambodia are also required to use our services, as is the Afghan Embassy in Washington. This requirement to book travel through the Travel Service Bureau did not lessen prior requirements as to time required for travel authority nor on areas closed to travel where applicable.

This last week, we have imposed OFM travel service requirements on East German, Polish, Czech, and Bulgarian officers assigned to their diplomatic, consular, commercial, U.N. missions, as well as on those assigned to other governmental offices. Travel for all of these foreign missions is confined to a 25-mile radius of their headquarters city absent prior approval. The Cuban Interest Section may travel outside of the 25-mile radius, but must book accommodations through OFM. On the other hand, the Libyan U.N. mission is confined to travel within the five boroughs of New York City.

All travel requests are now subject to prior review by national security agencies. This provides, for the first time, an opportunity for the Department of Defense to have prior knowledge of all travel and to make an informed assessment of the security threat. I am most appreciative of the strong support the Office of Foreign

Missions has received from the Department of Defense and the FBI in establishing travel review mechanisms.

With regard to the U.N. Secretariat travel, the Secretary-General has been notified of the travel controls imposed September 15, 1985, on the Soviets, Afghans, Vietnamese, Libyans, Iranians, and Cubans, and we have been meeting with senior officials of the United Nations to work out the mechanics so that they will not adversely affect legitimate U.N. travel. There has been no official travel to date. The limited requests for personal travel have been processed without incident.

All requests to acquire real property by foreign missions are reviewed by the Office of Foreign Missions. The Soviets, Cubans, Eastern European personnel in Washington, DC, must also submit for approval even leases by their personnel for personal apartments. The Department will no longer permit purchase of real property in the United States by foreign countries or their personnel whose countries do not permit U.S. ownership of real property.

Some missions are now required to lease their apartments through the Office of Foreign Missions, that is, they must sublease from my office apartments which we lease. This is a new Office of Foreign Mission service which will be expanded to other missions whose governments require us to lease through government agencies.

The process which the Office of Foreign Missions has set up for the review by all concerned agencies of all requests for real property by foreign missions ensures that security concerns are now fully addressed before the property is acquired either by lease or purchase by a foreign mission.

I believe our registration and licensing of all diplomatic vehicles has significantly contributed to national security interests. Prior to the establishment of the Department's registration of all diplomatic vehicles, diplomatic vehicles were licensed in 28 States and identification of the owner of the vehicle could be time consuming. Under our new system the nationality and diplomatic status of the operator of the vehicle can be instantly determined.

Information on our coded license plates has been widely disseminated to law enforcement, industrial security, and military security personnel throughout the United States, in order that they may quickly identify any vehicles in the area of sensitive facilities.

The Office of Foreign Missions is now responsible for processing all requests by foreign missions for customs clearances. Our assumption of this responsibility has resulted in a clarification of how both official use and personal use shipments are subject to customs inspection and the Department has made clear to the Soviets that they can expect here the same degree of inspection that we experience in the U.S.S.R. Commissioner William von Rabb of Customs has been totally supportive of our efforts in this area, detailing officers to my office to help us accomplish the mission.

I would also note for the record, without detail, that we require all purchase of building materials for the Mount Alto site to be made through our office. We also require certain establishments to have Department of State approval for certain communications services.

In this brief summary of a number of the actions that the Department of State has taken to use the authorities of the Foreign Missions Act, I believe it is clear that progress has been made. More steps as I have indicated are being taken by the Department of State. The Foreign Missions Act is an important tool in our efforts in this regard.

I will be delighted, Mr. Chairman, to answer any questions you may have.

Chairman ROTH. Thank you, Mr. Nolan.

As you can well imagine, I am very much interested in your statement about imposing restrictions on certain diplomats accredited to the United States. As you well know, I feel very strongly that these satellite nations should be bound by the same restrictions as the Soviet Union since they are using them for their own purposes.

Would you repeat once again which countries are being covered, and what the restrictions are?

Mr. NOLAN. I will be delighted to.

First of all, I certainly share your concern with the degree that they are in fact supporting the Soviet effort and the need for controls.

The countries that we have required to use my office's services are: East Germany, Poland, Bulgaria, and Czechoslovakia. This applies to all of their official governmental officers in the United States, that is, their missions, their consulates, trade offices, tourist offices, U.N. missions, and the Secretariat personnel.

Chairman ROTH. Let me ask you this. Why were these restrictions not applied to Hungary and Romania?

Mr. NOLAN. We, in coordination with the intelligence community, made assessments of where we thought the priority concerns were. We have put both Romania and Hungary, for example, on notice that if there is evidence of intelligence activity, they will join the other group in the restraints. But our assessment was that we should begin putting these on in a gradual way, and give some incentives, perhaps, for less terrible performance and some incentives to behave.

Chairman ROTH. Are you at all concerned, that by leaving them out, that these two countries will be put under tremendous pressure by the Soviet Union to use their personnel and facilities of espionage? It almost invites that possibility, doesn't it?

Mr. NOLAN. I think it certainly is possible, Mr. Chairman. I am sure they are probably under such pressures in any case. I think that it will be one test of the degree to which our controls are effective how much pressure they are under.

Chairman ROTH. I will not dig into why the exemptions because I feel that much of that should be classified.

Why is there no 25-mile restriction?

Mr. NOLAN. What we attempted to balance are two things. One the capacity which existed for long distance travel by the various bloc countries which made it very difficult for U.S. counterintelligence efforts, that is, long cross-country travel, travel without any time notice or destination notice.

The amount of travel locally by automotive means, a 1-day trip or a less than 1-day trip, while troublesome, was not as high a problem. What we did in the first—I should make very clear in all of this that probably no single step is in fact the total cure, and we are certainly prepared to do other things if we need to do them. But we thought, as the first set of restrictions that we would go ~~into~~, to measure their effectiveness, to see how much of the problem this cures, that this was a first good step.

Chairman ROTH. Let me ask you this, Mr. Nolan. By what criteria do you impose, rescind or levy restrictions on certain foreign missions?

Mr. NOLAN. There are certainly two principal criteria, Mr. Chairman. The first is, if the action is one based on a question of reciprocity, that is the criteria that we use, that is, is this something which U.S. personnel in our missions are subjected to. That is true, for example, in how we now give tax benefits to foreign missions here in the United States, that is an issue solely of reciprocity, having no national security implications really one way or the other. In the case of that kind of an issue, the criteria is one of reciprocity.

In other cases, it may be an issue of national security, purely that. The desired location for an embassy, we may turn down solely on national security grounds, even though we may have in that particular country the facilities that we desire or that are adequate for our needs at the moment.

We can use both standards depending on what the particular item of concern is.

Chairman ROTH. Do you feel that the Foreign Missions Act is adequate, that it gives you the necessary authority, or could it be strengthened?

Mr. NOLAN. The Foreign Missions Act, I think, is one of the most inventive pieces of legislation that I have had experience with in my long history of law enforcement. It offers a wide range of possibilities that I am not sure that, in the first 3 years, we have discovered all the ways that it might best be used.

There are some areas that are not as clear, and we are constantly examining those. I wouldn't hesitate to recommend to the Congress any change we think is necessary. We are looking at some having to do with some of these commercial enterprises that you spoke of in your opening statement. I am not sure precisely where the line is drawn on our ability to control things other than those things defined as foreign missions. When we get some guidance from Justice on that issue, if we think that legislation is needed, I will be the first one up here to suggest it.

Chairman ROTH. We look forward to your help and cooperation. What kind of limitations are placed on American citizens by the Soviets, our diplomats as well?

Mr. NOLAN. There are closed areas of the Soviet Union. There are requirements, something very similar to the 25-mile radius around Moscow or Leningrad outside of which our Embassy people must have authority to travel. They must book through UPDK, which is the governmental service, the diplomatic bureau in Moscow, to get their reservations. They must give prior notice to the Ministry of Foreign Affairs to seek approval for that travel.

We have in our system here, in those regards, attempted to duplicate their systems as well as we can. Even in our bureaucracy, it is sometimes hard to match the intricacies of all the Soviet bureaucracy, but we have tried.

Chairman ROTH. Let me ask you this. You spoke in your opening statement about leasing, I think it was. Some missions are now required to lease their apartments through OFM.

Mr. NOLAN. Yes.

Chairman ROTH. Does that include the Soviet Union?

Mr. NOLAN. It does not. What I think is important in explaining some of the actions of the Office of Foreign Missions, we have had to become a lot of new things. We are a construction bureau for some buildings that embassies build. We are a motor vehicle bureau now, small but having all the problems of a State motor vehicle bureau. We are not a housing bureau, and a travel bureau as well.

I have begun some of the programs in a limited way. We have begun doing housing for the Cuban Interest Office, for some Bulgarians and some Czechoslovakians. I am sure that as our capacity to provide the services expands, we will expand it to other countries.

Chairman ROTH. What kind of support do you get within the State Department for your activities? For example, when I proposed some legislation recently that would apply to the U.N. employees from the Soviet Union, we got strong support from top officials at Defense, the State Department, and elsewhere, but we found that middle management, or part of the bureaucracy fought us tooth and nail. Often the country officials are dead set against trying to do anything in this area.

What kind of cooperation, for example, do you get from the Soviet desk in trying to impose restrictions?

Mr. NOLAN. I think that you have to put this in some kind of perspective of the 3 years that I have been there because I don't think that there is a constant that I could quote to you.

I think that any time that you create an office such as the Office of Foreign Missions, which takes over some of the responsiblities that other people have previously performed, you always have some settling down of difficulties to begin with.

I think, to the degree, perhaps, that I came in with a long background in counterintelligence, that it probably raised a good deal of concerns that Attila the Hun was loose on the premises.

We have worked, I think, very well together. Each time issues will come up, surely we will differ sometimes on what the cure of the issues will be. But I have had very good support. I think that it is quite true, from the support that I have received from the Secretary and from the Under Secretaries in management that I have worked for, and indeed the Secretaries for Political Affairs, I have had very strong support for each issue as we have gone through.

It is not to say that we don't disagree on the cures, or the timing, or some of the other things as we go along in the process.

Chairman ROTH. I guess what bothers me is that once the policy was decided there was not the wholehearted support for implementation that I felt should be present. I think that individuals at every level should be free to put in their point of view when there are differing goals and objectives, we all understand that. But once the policy decision is made, it bothered me very much that we didn't have the kind of cooperation we had expected, or we didn't really see the implementation of the law in the way we intended.

I suspect that Senator Cohen, because of some legislation that he is interested in, might want to ask you some questions in this area.

Let me just go on and ask you. There is a chart to your right, and I wonder if you would like to explain that chart. It is my understanding that you are familiar with it.

Mr. NOLAN. It seems to list the various categories of Soviet personnel in the United States, and the various kinds of restraints that each one is subjected to or notice process. It does vary, obviously, by the establishment, and it varies, obviously, according to which ones are required to use services by my office on the basis that some, of course, are foreign missions and some are not. So that some fall directly under the purview of the Office of Foreign Missions, and some areas are outside of that office.

I think that it does show that in one form or another, though they vary from category to category, each one is subjected to some form of travel notice or control.

Chairman ROTH. I have further questions, but at this time I will yield to Senator Cohen.

Senator COHEN. I have just a couple of questions, Mr. Chairman.

Thank you very much, Mr. Nolan, for your testimony. For Attila the Hun, you have evolved into quite a diplomat in your short term of doing this work.

I was interested in your statement on page 7, where you indicate that you require the purchase of all building materials for the Soviet Embassy on Mt. Alto. The problem is not so much the building materials, as you know, but the site itself. On that, many of us feel that we have been had, in terms of allowing the Soviet Union to acquire that land, particularly if we are talking about rough equivalence to where we are located in Moscow. It is not quite an equivalent situation.

I would ask, in your experience, would you agree that personnel that are employed, let us say, in our embassy in Moscow, such as plumbers, mechanics, cleaning ladies, and secretaries, are likely to be under the guidance of Soviet intelligence authorities?

Mr. NOLAN. If you are talking about Soviet locals that we would hire, yes, I would say, in my experience, it is highly probable.

Senator COHEN. As a matter of fact, at our last meeting which Chairman Roth had scheduled, we had a Czechoslovakian defector who indeed was involved in intelligence work who confirmed that all of those individuals who are working are either doing so in an active fashion or are under the direct orders and authority of Soviet intelligence.

So it struck me as being rather, I suppose, ironic to read in a paper several weeks ago that one unnamed State Department official complained that the Leahy-Cohen bill was doing a great disservice to our loyal Soviet employees. I would like to find the source of that quote, which struck me as being a bit bizarre.

Mr. NOLAN. I can assure you, Senator, that it wasn't me.

Senator COHEN. I feel confident that it was not you.

Second, there is a notion, whether in the State Department or elsewhere, that somehow we are better off having foreign nationals employed in our embassy because they are safer. I would like to explore that a little bit further on in this hearing. But the notion is deeply imbedded that somehow you are better off knowing that you have active spies in your midst and on your payroll as opposed to trusting Americans to work in those facilities. Is that your experience?

[At this point, Senator Nunn entered the hearing room.]

Mr. NOLAN. I have heard that argument made a number of times, Senator. I understand the statement to be, maybe better the enemy you know and recognize than an American who might have been recruited by the Soviets that you don't recognize. I don't find it a valid argument. I have never found it a solid argument.

From my position in the FBI in counterintelligence, for years I argued for the replacement of such people in our embassies and the use of Americans. It is something that I felt very strongly on for a number of years. Certainly to get them out of chancery buildings and out of those positions. To the degree that we can use them outside of the main chanceries for some kind of support functions, I think that is fine, but to get them out of those buildings, I think, it essential.

Senator COHEN. I agree with you. Unfortunately, I may be misinformed about this, but I have been advised that at the very highest levels of the State Department that notion still persists even to this day, that we are better off or safer to employ foreign nationals, meaning Soviet citizens, in our embassies than we are to employ Americans there. I will explore that later.

Finally, just a question about how long you think would be a reasonable time to make a transition from employing Soviet citizens, for example, and using Americans to replace them? What would be a reasonable timeframe in your judgment?

Mr. NOLAN. I think that we have to look at two areas. One, if we are talking about the Soviet Union, it seems to me we are in a difficult period, with the construction of the new embassy and the staffing of the new embassy. Therefore, I think we have to begin doing it in a graduated way and see how effectively it works.

I would certainly think that perhaps a couple of years of transition period is probably reasonable. This could be complicated in Moscow if something keeps extending the period of that embassy's construction. But that seems to me to be a reasonable timeframe to get a good measure on what it will take.

Senator COHEN. Thank you very much, Mr. Nolan.

That is all I have, Mr. Chairman.

Chairman ROTH. Thank you, Senator Cohen.

I have a few more questions, and will proceed.

Last spring, as I mentioned earlier, I attached an amendment to the State Department authorization bill which requires that the State Department place foreign employees of the U.N. Secretariat under the same restrictions as those placed on the diplomatic corps of their country of origin.

We have had some contact with people up there at the U.N. Secretariat who have informed me that this legislation is not being implemented. Do you have any insight into that?

Mr. NOLAN. I can assure you that it has been implemented. We have placed the Secretary General on notice as to the requirements and the effective date of the requirements. We have not removed that. We have been in negotiation with him on how is the best way to accomplish the kind of information, advance notice, and various things that we need.

We have alerted U.S. counterintelligence forces that if there is any travel by those people, since the period of our notice, it has not been brought to our attention. We have asked them to bring it to our attention.

I think that we have had no official travel by the Secretariat, and I think that it is probably partially because of the U.N. General Assembly session which was running at the same time, and we have had a couple of requests for personal travel which we have booked.

Chairman ROTH. When this legislation first came up for consideration, in fact, after it was adopted, there were public statements made by high officials of the United Nations that we were moving into an area which was in violation of the charter. That is clearly wrong. We reserved that right very carefully. I think the Senate was responsible for the reservation while insures that this Nation could do whatever was necessary for security.

Do you think that the attitude has changed on the part of the U.N. Secretariat, or are they still maintaining that this is beyond our authority?

Mr. NOLAN. I would doubt that their public policy position has changed. I think they have come to recognize very clearly that the United States intends to act on the basis of that clear Senate reservation, that we consider it in our national security interest to exercise those rights to protect our security, and that we are going to do it.

So, while they have come to accept in practical terms that this is the way that it is going to be, whether or not they would eloquently argue that they have accepted it, I would doubt.

Chairman ROTH. We had one suggestion made, a pretty tough one, that we are taking a careful look at. The suggestion was made that any employees of the United Nations, such as certain Soviets who are known to be KGB or GRU agents, be dismissed from the United Nations. It is improper under civil service or U.N. Charter rules that an individual work both for the United Nations and for an intelligence service. His loyalty and his function is to the United Nations and not to the country from whence he comes.

Most countries comply with that, but noncompliance is perfectly clear, in the case of the Soviet Union. It is estimated that 200 of them are KGB or GRU and therefore in conflict with the charter.

Why shouldn't we directly request that they be dismissed, and if they are not, one suggestion has been, and I think that it has merit, that we reduce our contribution to the United Nations. In effect, right now, we are helping to pay by our contribution to the United Nations the salaries and upkeep of these agents. What is wrong with that suggestion?

Mr. NOLAN. To the degree that we are prepared to document, I guess, for the Secretary General and for the United Nations, and to establish the cases for the identification, I don't know that there is anything wrong with the argument that you pose. Establishing those as a regular matter of practice might prove to be some pain or discomfort to U.S. intelligence agencies, but that would be one that they would have to decide.

Certainly to the degree that we can demonstrate that somebody is an intelligence operative, whose activities are hostile or inimical to U.S. interests, I think we have the perfect right to ask the United Nations to remove them.

Chairman ROTH. I couldn't agree with you more. The purpose of the United Nations is to be a peace-making apparatus and not an umbrella for espionage. I think that we have the right to protect our security, and it seems to me that this is an area where it is time we move.

Senator COHEN. Mr. Chairman, may I ask one other question?

Chairman ROTH. Yes.

Senator COHEN. You had a chart on the stand at the last hearing which indicated those areas that are off limits to Soviet activities, and some of the other Eastern bloc countries, but an overlay on that chart showed that the Eastern bloc countries had their commercial headquarters located in the very center of Silicon, and various parts of our high-technology areas.

Would you recommend that those areas be restricted from commercial operations, so that they couldn't set up their headquarters in those regions?

Mr. NOLAN. Two things, Senator. First, there are no closed areas at the moment to Eastern European. The closed areas are Soviet-United States. Some of the areas which are on the closed area map are on the closed area map because of reciprocity, that is, percentages of the Soviet Union closed to the United States and percentages closed of the United States to Soviets. Some of the areas are on the map because they are in fact national security, either high technology or military/industrial concerns, and obviously we don't flag which are which. So that it may well be that there are, and I am sure there are, Eastern European facilities in some of the areas that might be closed to the Soviets, but I think I would have to look at them on a case by case basis. It certainly seems to me that where they are in proximity to something which we think is national security, they probably don't belong there.

Senator COHEN. I think that it shows you in a very dramatic fashion exactly where they are located. They tend to be clustered in the Silicon Valley, those areas where we have our defense industries. They have commercial headquarters set up in those regions. It is quite clear that they are for the purpose of gathering information or compromising individuals that we have had parading before this committee for a number of weeks or months now, being brought and paid for by these countries who are in fact working for the Soviet Government indirectly.

Chairman ROTH. As a matter of fact, let me just continue on that line of thinking, it seems to me that there is greater success in many of these cases by allowing these satellite countries to do the Soviets work for them. As I understand it, the Poles can go where there is a Polish community, access to the community is much easier for them, and the possibilities for the use of blackmail against Polish-Americans are potentially high.

I think that it is critically important that we take a look at that. It is important to look at it from the standpoint of the Soviet

Union, and ensure that the satellite nations be bound to it. It is clear that the Soviets use the satellites for their own purposes. I would urge you and the others to take a hard look at that.

Let me ask you this question regarding restrictions on business, trade missions, and similar organizations. Would you consider it appropriate as a disincentive for corporations who are used as fronts to have some kind of financial penalties such as confiscation of assets or expropriation of property like we do in drug enforcement?

Mr. NOLAN. Perhaps something on that order in connection with the Foreign Agent Registration Act provisions that you are discussing could be developed, Mr. Chairman. It is clear that there ought to be a penalty for concealing your connections to the Eastern European country in acquiring technology illicitly. I am not sure of the best way for the penalties to work, but I think that there ought to be some.

Chairman ROTH. I think that this is an area I want the staff to take a look at. I think that it could save as a potentially inhibitive factor for businesses involved in espionage.

Senator Nunn.

OPENING STATEMENT OF SENATOR NUNN

Senator NUNN. Thank you, Mr. Chairman.

Unfortunately, I have to depart a little before 11 o'clock, since I have an Armed Services Committee hearing on reorganization, but I want to congratulate you and the staff for these excellent hearings. I think that we are getting down to the nuts and bolts of a very, very important area. It is not easy. It is not something that you can deal with very readily with sweeping legislation, but I think that tailored legislation is very much in order, and I think that this is the direction that we are moving in.

I would like to put my statement in the record. I will spare you the ordeal of having to listen to all of it.

Chairman ROTH. I promise to read it later.

Senator NUNN. During the minority's recent investigation of our Government's security clearance programs, we obtained a comprehensive statement from Mr. Ion Pacepa, formerly the Deputy Chief of Foreign Intelligence of Romania. Mr. Pacepa defected in 1978 and resides in the United States under a new identity. We secured a written statement from Mr. Pacepa because an appearance before the subcommittee, in his view, would have placed his life in danger.

Since his defection is nearly 7 years old, I think we all have to be careful in considering information because things do change in a period of time, things can become dated. The information in his affidavit is approximately 7 years old in terms of his own experience. The affidavit is very recent in terms of his giving it.

I think that this is particularly true in the light of changing aspects of intelligence gathering in foreign affairs. In the Intelligence Committee, as the chairman knows, we are constantly being updated in this area.

It seems to me that one of our real goals here and in the way we craft this legislation is to make sure that we give maximum incentives, carrots and sticks, to the Eastern European, so-called, satellite nations to move away from Soviet espionage. Perfection in this area is probably not achievable, but I do believe that with the need for capital, the need for trade, the gradual move toward at least more market forces in some of those countries, there is room for a discriminating and carefully constructed policy. In my view that requires a partnership between the legislative branch and the executive branch. I don't know whether we can get on the same wavelength in this area, but I hope that our subcommittee can consider that.

I know the chairman plans to introduce legislation which, as I view it, moves in that direction in terms of treating different countries differently based on their own conduct in this country.

I would like to put this statement in the record to be available for the media. I have determined that is has been cleared for public release.

[The prepared statement of Senator Nunn follows:]

PREPARED STATEMENT OF SENATOR NUNN

The Chairman, I want to commend you for your continued interest in the issue on national security which so greatly impacts on all of our lives. The events of the last three weeks speak for themselves on the depth of the problem our nation continues to face from foreign intelligence sources.

For the last five years under your leadership as Chairman, both the Majority and Minority staffs have had the opportunity to conduct a number of investigations and subsequent hearings that have probed the extent of this problem. In 1982 and again in 1984, our Subcommittee conducted hearings concerning the transfer of technology to the Soviet Union. Our 1982 hearings on this issue highlighted several specific cases in which we learned that the Soviets employ a calculated and pervasive effort to obtain our technology and national secrets. They use almost any means—legal or illegal. Many of the cases we examined involved U.S. citizens who deal with Soviet Bloc representatives. Testimony regarding these cases revealed that Soviet Bloc representatives were acting as surrogates for the KGB.

The hearings we conducted this past April concerning personnel security revealed that Soviet representatives were actively moving throughout the United States while courting U.S. citizens who were providing them with U.S. secrets. In all of the cases that the Subcommittee has examined, it is apparent that Soviet or East Bloc spies move freely throughout our nation. I don't think that any government, short of a police state, can control espionage activities when the entire continent of America is used as the arena. Therefore, we must consider restricting the travel of Soviet and East Bloc visitors if they continue to abuse the openness of our society by engaging in espionage activities.

I remarked during your November 12th hearing that recent events involving espionage activities require us to closely examine existing laws which impact on the travel of Soviet or East Bloc visitors and emigres. Since our last hearing, there have been at least four more arrests for espionage. I have yet to learn of the details of these latest incidents but I am sure that the espionage activities took place in part because of the freedom of travel enjoyed by the Soviets or their surrogates. It seems to me that Congress, the Executive Branch and the U.S. citizens must do everything possible to discourage unrestrained espionage activity. We must, however, be cognizant of the balance which must be maintained with our policies that encourage immigration, trade and exchange programs for scientific, cultural and educational reasons. We benefit greatly from our exposure to foreigners and we do not want to impede the progress we enjoy from such relationships.

During the Minority staff's recent investigation of our government's personnel security policies and programs, we obtained a comprehensive statement from Mr. Ion Pacepa (Eon Pachepa), formerly the Deputy Chief of the Foreign Intelligence Service of Romania. Mr. Pacepa defected in 1978 and resides in the United States under a new identity. We secured a written statement from Mr. Pacepa because an appearance before the Subcommittee would have placed his life in real danger.

Since his defection is nearly seven years old, Mr. Pacepa's information is somewhat dated. This is particularly true in light of the continually changing aspects of intelligence gathering and foreign affairs. Nevertheless, Mr. Pacepa provides a detailed insight into the intelligence gathering operations of Romania, the Soviet Union and its satellite countries. In his statement, Pacepa indicates that in Romania a KGB officer maintained an office directly adjacent to his. There does not seem to be any doubt that the Romanian intelligence operations were closely coordinated or even directed by the Soviets.

Primary targets of infiltration, Mr. Pacepa said, are the Departments of Defense and State, the FBI and the CIA; the Congress; and those institutions, both public and private, which engage in scientific and technological pursuits. Special interest is paid to the American defense industry and to the recruitment of emigres in the U.S. who are from Soviet Bloc nations and who, through extortion, threats against relatives still behind the Iron Curtain, bribery and appeals to nostalgia for the homeland, may be persuaded to obtain sensitive information.

Mr. Pacepa said the Soviets look for potential recruits with these characteristics—persons with relatives in Soviet Bloc countries; persons sympathetic to leftist movements; persons with vulnerabilities such as alcoholism, gambling, homosexuality, heterosexual promiscuity, excessive indebtedness, criminal history and greed. The most successful approach to potential recruits, Mr. Pacepa, said, is for the Soviet agent to gradually develop a friendly social relationship and then firm up the ties with money. The objective is to engage the target subtly but with sufficient financial involvement to make it difficult for him to back out.

I would like to enter Mr. Pacepa's statement into the hearing record at this time. It is rare that such knowledge is available to the public; therefore, I hope that such insight imparts an awareness to the American people that will be invaluable in our efforts to thwart the success of Soviet intelligence operations. Mr. Pacepa's statement of his 1978 activities sounds very similar to those in 1968 experienced by Mr. Bittman, who testified last Tuesday.

Espionage will never go away; however, we certainly can do more to prevent and/or discourage U.S. citizens from dealing with Soviet and East Bloc spies. We made a substantial step in the right direction with the hearings on personnel security.

I am pleased to announce that two of the most glaring deficiencies in our federal government's current security clearance program that were identified by our April hearings have recently been remedied. On July 11, 1985, I offered an amendment to the Defense Authorization Act of 1986 that mandated the completion of a review of our government's personnel security system by the National Security Council. This review was originally required by a 1983 National Security Directive but had been susbequently stymied by inaction on the part of the National Security Council. My amendment, which was approved by Congress and signed into law on November 8, 1985, will require the Executive Branch to report back to Congress within 150 days on needed reforms in personnel security. Such study is necessary, in my opinion, since it will be a complete and through review of the entire government personnel security system—something that has been long overdue.

Additionally, I may add that another problem identified in this Subcommittee's April hearings has just passed both houses of Congress and now awaits Presidential signature. This legislation, which I offered as an amendment to the 1986 Intellligence Authorization Act addresses the inability of the Department of Defense, Office of Personnel Management and Central Intelligence Agency investigators to obtain state and local criminal justice records on individuals being considered for security clearances. Our Subcommittee was amazed to learn that local and state jurisdictions in increasing numbers were denying the federal government access to their criminal history records files. Hopefully, this proposal will end this ludicrous situation where the federal government does not know what states and locals do about a potential applicant to some of the most sensitive positions in the military and other federal agencies.

Lastly, I would like to add that Senator Roth and I will be introducing this week our Subcommittee's Report and Findings from our April security clearence hearings. I am confident that this report will be of great interest to all of us, both in the government and among the general public, who are concerned about our nation's security. I am pleased to announce that many of its findings were adopted by General Stilwell's recently completed study of the Defense Department's Security Clearance System. Members of my staff and I, with the support of the Majority staff, cooperated fully with General Stilwell and his staff and look forward to seeing the implementation of these recommendations by the Defense Department.

Mr. Chairman, there is more legislation yet necessary as a result of our findings in those hearings. Now we must focus on creating a more controlled environment for Soviet and East Bloc visitors. We need to make their espionage activities as difficult as possible. I feel that this Subcommittee, under your leadership, can provide an accurate record for future legislation through important hearings like this one today.

Again, Mr. Chairman, I want to offer my full support in this area in hopes that we can find real remedies to what seems to be a glut of espionage activity in our own backyard.

Senator NUNN. Mr. Pacepa provides a detailed insight into the intelligence gathering operations of Romania during the period of time when he was very much involved in it, as well as the Soviet Union and its satellite countries. In his statement, Pacepa indicates that in Romania, a KGB officer maintained an office directly adjacent to his. Whether this has changed is the subject of classified type information, whether this policy remains true today. I think that from time to time, we need to update these matters, but I would like to put his entire statement in the record.

[Mr. Pacepa's statement and responses to written questions were marked exhibit No. 4 and follow:]

AFFIDAVIT

EXHIBIT NO. 4

I Ion Mihai Pacepa, being duly sworn, deposes and says:

STATEMENT FOR U.S. SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Background

I, Ion Mihai Pacepa, was born in a free Romania, but only my childhood was spent in freedom. I was just eleven when my father was sentenced to death --although not executed-- by the first fascist government, and that was when I first learned to hate dictatorship. When I was sixteen I fought the Germans, and when seventeen the Red Army occupation. After World War II I became a member of the "Friends of the United States of America," an organization sponsored by the American government, and then a member of the anti-Communist National Liberal Party. I was briefly arrested for underground anti-Communist activity. But by 1950 my future wife had come into my life, and I gave up. Because I was a good student, and especially because both I and my father had excellent antifascist records, I was selected to work in the recently created Ministry of Interior, together with others from among the first generation of engineers to be graduated under Communist rule. I could not fight against this assignment, but once inside, I was able to locate and destroy the evidence of my anti-Communist past. After that I started being pushed up the bureaucratic ladder, and so began a twenty-eight-year nightmare. Over the course of it I tried several times to defect to the United States, but I was never able to take my daughter with me. In July 1978 I was personally ordered to organize assassinations and other terrorist acts in the United States, West Germany, France and other Western countries, and I ultimately had to decide between being a negligent father or being a political criminal. On Friday, July 28, 1978, despite my long career in Communist intelligence, I was magnanimously granted political asylum by the American government and secretly brought to the United States. On that last day of my former life, my official positions were those of state secretary in the Romanian Ministry of Interior, deputy chief of the foreign intelligence service (CIE) and personal adviser to President Nicolae Ceausescu.

Introduction

The East European foreign intelligence services were created around 1948-49 as faithful copies of the Soviet foreign intelligence service (which would become known as the First Chief Directorate of the KGB); the senior management of these services was composed of KGB officers sent as Soviet advisors. Among the rules established by Moscow was the right of the Soviet advisors to monitor all correspondence between the services' headquarters and their components abroad. I personally witnessed how every single message sent to or received from abroad by the CIE, whether in encoded cables, dispatches in the diplomatic pouch or other channels, was put on the desk of the Soviet advisors in the original, before the copy was seen by the Romanian officers. As a senior CIE officer I was obliged to show the Soviet advisors every file on agents and potential candidates for recruitment, all analyses and evaluations of intelligence obtained by the CIE, and any materials prepared for transmittal to the Romanian chief of state and Politbureau. I personally observed how these materials were regularly sent to Moscow by cable or pouch systems.

After the withdrawal of the Soviet troops and advisors in the early 1960s, Romania became a special case within the Warsaw Pact community, as the form of Romanian intelligence subordination to Moscow was changed. Briefly, since then Moscow has not received specific data on Romanian foreign intelligence sources and operations, but it has received the significant intelligence product. It became a matter of prestige for Ceausescu to share only important information with the bloc community, as well as to send some items to Moscow and others to other bloc countries, especially Hungary and Bulgaria. (On my trips to Moscow I found information in the KGB computer system that Romania had sent only to Budapest or Sofia and not to Moscow).

Even in cases where the Romanian government has given the West its solemn guarantees that information confidentially provided to it would be kept secret and that sensitive equipment sold to it would not be released to any third party, it has not kept its word. I was frequently sent as Ceausescu's personal messenger to ask Western governments, or their heads of state individually, to give Romania technological and military aid to help support its policy of independence, and I was always instructed by Ceausescu to use my imagination in supplying the highest guarantees of secrecy. For instance, in 1977 and 1978 I personally delivered numerous messages from Ceausescu to West German Chancellor Helmuth Schmidt, through his State Minister Wischnewski. All of these messages, which asked for favorable political approval of the sale to Romania of German airplane and tank technology, in order to bolster Romanian independence, were full of solemn guarantees. After the German government had given tacit agreement, Ceausescu secretly informed Libya's Muhamar Qadhafi that Romania would produce bombers and airplanes for parachute jumping patterned after West German Fokker models and tanks patterned after NATO's Leopard II, and he asked Quadhafi to finance these projects, with the understanding that he would be able to buy as much of the production as he wanted, at preferential prices. Naturally, Quadhafi also gave solemn guarantees of secrecy. I have no reason to predict that Ceausescu will change his public relations with Moscow, as long as they are still profitable for taking advantage of the West. But there could be important changes in the secret relations between the Romanian and the Soviet intelligence services: they could again become as good as they were in the days of Nikita Khrushchev, who was considerate of the Romanian chief of state, or they could remain as cold as they were in the days of Leonid Brezhnev, who ignored him.

As for the situation in the other Warsaw Pact countries, through official contacts the Romanian CIE had with the KGB as well as with the Hungarian, Bulgarian and other Soviet bloc intelligence services, the CIE was able to establish beyond any doubt that the presence and role of the Soviet KGB advisors in those countries remained unchanged, at least until the time of my defection in 1978. And everything that I have heard from 1978 up to the present indicates that nothing has changed in regard to those firmly established and accepted procedures.

In all Warsaw Pact countries the United States has been considered their "enemy number one," ever since Communist governments came to power after World War II. This Moscow-dictated rule has been permanently adopted in all East European countries, including Romania and Yugoslavia, and has become a yardstick by which to measure their faithful adherence to Marxist-Leninist ideology. Accordingly, in all Warsaw Pact foreign intelligence services, the components concerned with operating against the United States are the largest and the best organized. No efforts or manpower is spared to conduct espionage against the United States, to recruit Americans. This rule was permanently enforced by the Romanian CIE, which, in addition to a special geographical division operating against the United States, had American components inside all of its other divisions and special officers charged with recruiting Americans in all of its important residenturas abroad.

The United States as Target

Within the Soviet bloc the intelligence targets directed against the United States have remained basically the same for the last two decades. They are: the administration (with separate components working against the Department of Defense, the CIA, the FBI, the State Department, and from time to time others); the Congress; science and technology (with separate components for each important technological field, such as nuclear power, electronics, metallurgy, the chemical and petrochemical industry), with special emphasis on companies doing defense contract work; and emigres (both as across-the-board recruitment prospects and as means of exerting influence in American society). For the Soviets, everything about the United States is important, but the KGB has always had meticulously ranked priorities. I saw this, for example, when I visited Moscow in 1972, and the then chief of the KGB's foreign intelligence service, General Zakharov, got up out of his sickbed to ask me, among other things, to reconsider the priorities of Romanian intelligence operations against the United States. He emphasized that the Soviet Politburo had decided that military intelligence should have the highest priority in work against the United

States target. Later, during the Brezhnev-Ustinov-Andropov era of increased armament buildup, military technologies became a major priority, and numerous requirements on nuclear power and long range rockets were received from the Kremlin. In the mid-1970s Leonid Brezhnev sent his Minister of Interior, Nikolay Sholokov, to Bucharest as his personal messenger, and I was present when he transmitted his oral message. Brezhnev was asking for coverage of two other priority targets in the "joint intelligence effort" against the United States. The first, defined by Brezhnev as, "he who controls outer space controls the earth," requested joint intelligence efforts to collect valuable information on American antiballistic systems, space lasers and radars. The second, called "the disarmament of the West," asked for comradly help in supporting the "nuclear freezers" and the international peace movements oriented against "American imperialism." In 1978 I was informed by Ceausescu on his return from Moscow that Brezhnev had personally asked him to consider "microelectronics" as a new top priority in intelligence operations against the United States. According to Ceausescu, Brezhnev's explanation was that the Soviet Union had, at that time, the capacity of producing enough nuclear power to destroy the West but did not have the technologies for building very accurate rockets capable of reaching American rockets before they were launched, to paralyse NATO before its first strike. I believe the fact that most of the 153 Soviet KGB representatives expelled from various Western countries during 1983 were engaged in technological espionage is an indication that the Brezhnev-Ustinov-Andropov priorities were then and probably are still now unchanged.

Target Individuals

The Soviet bloc foreign intelligence services basically spot targets of interest among visitors to their embassies, among people met at diplomatic receptions and other social activities, and among people called to their attention by spotter agents. One promising field is the American official presence in foreign countries, where there are not the same anti-Communist atmosphere and security protection as at home in the United States. For instance, I knew about major Soviet bloc efforts to recruit American military personnel stationed in Western Europe and Japan, even though their access to classified information is usually more limited when they are abroad. Lower ranks, who are considered more susceptible to recruitment, are included in long-range programs, being financially subsidized and helped to move up into more important military positions.

Of significant help to Soviet bloc espionage efforts to spot American targets in the West are the Communist parties of some Western nations, despite an early 1950s Soviet Politburo secret resolution (never enforced) forbidding the recruitment by bloc foreign intelligence services of members of non-ruling Communist parties as agents. Most of these parties have commercial or other businesses ostensibly unconnected with any political party, and these are intensively and successfully used to obtain information, to spot agent candidates, and to recruit. I was personally in contact with the West German import-export company Sorice A.G., a secret branch of the French Communist Party, which was used by the Soviet, East German and Romanian intelligence services, especially for spotting American targets.

The bloc foreign intelligence services also spot among Western visitors to Eastern Europe and secretly sponsor political, economic, social and cultural events there, in order to attract Western personalities of interest. (The Leipzig and Bucharest Trade Fairs, the George Enesco Music Festival in Bucharest, the J.S. Bach Festival in East Germany are examples.) Emigres and others people with family ties to Eastern Europe have also traditionally been used by the bloc for foreign espionage. Starting in the early 1970s I was personally involved in a large operation, coordinated within the Soviet bloc intelligence community, that consisted of computerizing complete data on emigres from Eastern Europe and their descendents and relatives living in the United States and in other Western countries. (More than 300,000 Romanian emigres living in the United States were targeted in this process.) Soviet bloc governments consider all emigres still to be their citizens and hold it a punishable crime for emigres to speak out against their countries of origin or to refuse to cooperate with their espionage services. (In 1978 I was personally ordered to organize assassinations and other terrorist acts in the United States and in other Western countries as punishment against such emigres.) Beginning in 1972, Ceausescu became preoccupied with creating a "new, loyal Romanian emigration" in the United States, West Germany, Israel and France. In February 1972 and later, I was present when he repeatedly ordered that "no Romanian citizen, whether of Romanian, Jewish or German ancestry, should receive an emigration exit visa unless he is a security agent." Accordingly, after 1972 over ten thousand emigrating Romanians were recruited and sent abroad as a mass operation. (Once abroad, not all remained active agents, of course, but most of them retained some degree of susceptibility to Romanian influence.)

In the process of spotting targets and collecting data about their access to information of value and about their vulnerabilities, all available sources of information are consulted. Of particular interest are internal telephone books and organizational directories of U.S. government departments and agencies as well as of companies doing contract work for the U.S. government. Regional telephone directories are widely used to try to locate the home addresses of targeted people. Agents who are insurance representatives or lawyers are particularly useful, as they can be used to do background checks on target individuals.

Recruitment Methods

The methods of recruiting Americans are also almost identical within the East European intelligence community. The most important change I saw in over two decades was the tacit removal of the ideological method from first place. In personal discussions I had with the chief of the Soviet KGB's foreign intelligence, he emphasized that, although successfully used before World War II up to immediately thereafter for producing valuable agents such as Kim Philby, Donald Maclean, Guy Burgess and the Rosenbergs, the ideological method should be reconsidered in the modern age from the point of view of efficiency. In individual discussions I later had with the chiefs of the Hungarian, Bulgarian, Cuban and Yugoslav espionage services, they openly stated that the ideological method had become obsolete after the 1956 Soviet inervention in Hungary and an outright burden after the 1968 invasion of Czechoslovakia. According to their and CIE studies, the most efficient vulnerabilities to look for in American targets are: persons with relatives in Soviet bloc countries; persons sympathetic to leftist movements; persons with character weaknesses, such as alcoholics, gamblers, skirtchasers, sexual perverts; persons with criminal records; persons with large debts; persons without scruples about how they earn money, particularly if it is "tax-free." In recent years a general consensus has existed within the Soviet bloc intelligence community that the most successful recruitments are made by gradually developing a friendly social relationship and then firming up the recruitment with money, after it is too late for the target to back out of the relationship and report the provenance of the money. I myself had direct knowledge of such Romanian agents recruited in important U.S. government agencies, including the Department of State and the military forces; and indirect knowledge, through discussions, of the success of other bloc espionage services in penetrating the U.S. target.

Nevertheless the general estimate within the Soviet and other East European services is that the intelligence results obtained directly from the United States have fallen far short of expectations and of the efforts expended. Some of the KGB's explanations for the relative paucity of results are: the limited extent of bilateral relations; the loyalty of the majority of Americans holding clearances; the effectiveness of the U.S. government's security procedures, including the broad use of lie detectors; the aggressive work of the U.S. intelligence community; and the general anti-Communist attitude of the American people. Within the Warsaw Pact, the evaluation of the security practiced by the major private American firms working on classified government contracts is higher than that of the security in similar West European companies. An additional contributing factor, considered very important, is the existence within many American companies of "public relations" departments as independent units located completely apart (even in other cities, such as New York or Washington) from the sections dealing with classified information, which in many cases serve as protective filters against hostile penetration attempts.

For these reasons, and because of the strong anti-Soviet climate in the United States, Moscow tries to use the other bloc countries for intelligence operations against the United States, and those countries known as "independent" or "nationalistic," such as Romania, or with large emigre populations in the United States, such as Poland and Hungary, are in a better position to help Moscow here. Conclusive evidence of the pressure Moscow can turn on may be seen in the results of a visit Ceausescu made to Brezhnev in Moscow in 1978, shortly before my defection. As Ceausescu told it to me upon his return from Moscow, Brezhnev took him on a "top secret" tour inside KGB intelligence facilities, including some "technology cities" built based on the latest technological intelligence and staffed by thousands of KGB and military personnel, where "joint intelligence efforts are transformed into Communist military power." During this all-day visit, Brezhnev insistently asked that Romania's better position vis-a-vis the U.S. government and the sympathy for her existing in American political and economic circles be used to compensate for the KGB's insufficient results.

U.S. Security Vulnerabilities

In the following remarks I would like to discuss some of the perceived "weaknesses" in the U.S. security system that are most often used by the Soviet bloc intelligence services. The insufficient classification and premature declassification of secret information used by the U.S. government or in contract work for it have long been considered in the Soviet bloc to be important aids to espionage, especially in the military technological field. The Romanian and other bloc services have been able to obtain very valuable information, without being obliged to go into the dangerous process of recruiting Americans with clearances who work in sensitive agencies or companies protected by strong security measures. I know of numerous cases of Americans owning small (usually one-man) consulting firms who were recruited by the Romanians and other bloc services and provided enormous quantities of incredibly useful information that had just been declassified. Some of these agents, for instance, spent many years collecting recently declassified materials from the Library of Congress and unclassified but very valuable technical data from NASA. As early as the 1960s Moscow started to show enormous interest in such reports and asked all bloc countries to intensify their use of "consulting bureaus" in Europe and Japan and to use them for obtaining recently declassified or insufficiently classified information. Numerous Soviet bloc agents who had previously been recruited were then also directed and financially assisted to open consulting firms, in order to obtain American documents that were "just at the limit" of being unclassified. By the time of my defection this procedure was widely used.

The recruitment of foreign citizens employed by U.S. civilian and military installations abroad has proved to be an efficient and quite profitable way for East European espionage services to penetrate the U.S. government. In my position as state secretary in the Romanian Ministry of Interior I had detailed knowledge about top secret operations for obtaining information from the U.S. Embassy in Bucharest, using Romanian employees. According to two consecutive directors of the counterespionage service (Securitate), every single Romanian citizen employed by the U.S. Embassy was an agent, and after 1972 some of them were even Securitate officers under deep cover or illegal officers. From 1972 up to the time of my defection I was weekly given copies of the documents taken out of the Embassy, as well as operational studies on the American diplomats and their family members and detailed information about visitors to the Embassy. I was also informed about several operations organized against American diplomats or their families, at least one of which constituted, in my opinion, a serious threat to U.S. national security. Furthermore I knew about foreign employees in other U.S. embassies in both Eastern and Western Europe who had been recruited by Soviet bloc services. Within the Soviet bloc intelligence community, the foreigners employed by the U.S. embassies are considered a very important way to obtain information and a successful means of conducting offensive operations such as electronic eavesdropping and recruitments.

The foreigners employed inside American military units, especially in Western Europe and Japan, are a favorite target and have been extensively used by the Soviet bloc not only for otaining information but also for spotting and recruiting other sources. One case that I consider significant was known to me from the time I was chief of the Romanian residentura in West Germany in the 1950s. One of the residentura's agents was a West German citizen of Romanian origin who was working as a very low-level janitor at an American military unit near Munich. His access to information of value was nil, and he was kept on only for spotting purposes. Suddenly, however, he started coming to every meeting with bags and bags of classified and unclassified military documents, as many as his car would hold. It turned out that he still had the same job but now, having gained his employer's confidence, he had been put in charge of burning in his furnace the classified trash and other military documents marked for destruction. Also because of his employer's confidence in him, his wife was hired by Radio Free Europe in Munich, where she photographed and turned over the most important documents the Romanian intelligence service ever received from this organization.

Both of these agents were still providing information to Romania at the time of my defection.

Another vulnerable point lies in the fact that American technologies sold to other Western companies are insufficiently protected against Communist penetration. The Warsaw Pact intelligence services have unanimously determined that American firms that sell classified or restricted technological information to West European, Jpaanese and other subsidiaries operating under American license do not impose the same security measures abroad as they do in the United States. In the 1970s, important silicon technologies, strictly embargoed and controlled in the United States, were obtained from an American subsidiary in France. By the end of that operation the volume of photocopies procured filled up my whole conference room. The technology for growing silicon crystals, stictly controlled in the United States, was provided to Romania by an Italian electronics company, and the special equipment needed was obtained with the help of a Japanese company through a one-time export firm especially created for this purpose. Technologies for producing various types of integrated circuits are the most desired by the Soviet bloc. Attempts over many years to procure them in the United States were unsuccessful. The matter was so critical that Ceausescu asked to have a visit to Texas Instruments included in the itirerary of his April 1978 state visit to the United States, as a way of opening doors. I personally went to Texas Instruments to prepare for this official visit, and I found the security there to be irreproachable. The problem was solved, however, by the tentative cooperation with a prestigious British firm producing microelectronics under a Texas Instruments license. Several hundred volumes of U.S. classified documents were photographed and turned over by a newly recruited and well paid British agent. According to him the documents were distributed to various buildings without any special security precautions. Some important, classified technological processes were posted on walls inside the production section, where the agent photographed them. This operation became one of the most valuable producers of intelligence for Romania.

Concluding Remarks

When in 1978 I started my new life in the United States, I firmly believed that for me to report to the U.S. government everything I knew about East European espionage would be enough to protect my new country against its operations. Almost seven years later I am now beginning to comprehend the difficulties inherent in American democracy to defend our national security against the concerted and ever increasing Soviet bloc espionage efforts. Today I consider it an enormous success every time a single new regulation or piece of legislation is passed that may hinder hostile espionage attempts, and every time the old ones are enforced. And I would like to express my gratitude to the United States Senate Permanent Subcommittee on Investigation for its efforts to find new deterents.

In my previous life, in Romania, I was not only an intelligence officer. I was also given responsibilities at the highest official level, and I was in a unique position to understand the presentday crisis of Communist governments and their desperate endeavors to keep alive a system that is in antagonistic contradiction to the most elementary rules of nature. There I understood, beyond any doubt, that Communists had no respect for anyone's law, not even for one created by themselves; they respect only force, power and their own political interests.

The U.S. Congressional Amendment tying Most Favored Nation status to free emigration rights was regarded in Romania as an act of power. I became one of the few persons responsible for keeping the MFN status alive for Romania, and I personally witnessed how meticulously its provisions were observed, despite Communist governments' general revulsion for emigration rights. After the amendment was adopted, President Ceausescu organized, for the first time in Romania, a Governmental Commission for Visas and Passports as a permanent body holding weekly meetings for the purpose of approving exit visas and sending monthly reports to Ceausescu, and every year, when the MFN amendment came up for renewal, Romania made a special effort to look deserving. It is my firm conviction that, without its having been tied to MFN and other financial incentives, emigration from Romania would have been nothing but an empty word.

In the 1970s the bankrupt Romanian economy became unable to repay its huge foreign debts and was in desperate need of hard currency. I personally received Ceausescu's order not only to keep MFN alive under all circumstances but also to increase the level of technological espionage, in order to reduce the need for legal imports from the West. For obtaining supplementary hard currency, I was ordered to use corruption, trade in human beings wishing to emigrate, extortion from emigres living in the West, and the smuggling of arms and drugs. Shortly before my defection, over 25% of the inventory and production of the Romanian civilian industry, 50% of that of the military industry, and over 60% of the agricultural production was reportedly due at least in part to intelligence operations. The matter of the emigration of ethnic Jews, Germans or Romanians was treated like horsetrading, and suitcases full of money representing quota payments pro head were transported monthly to Bucharest. In 1977-78 hundreds of pounds of drugs that had been confiscated in Romania over the years were smuggled to the West and sold, along with large quantities of unmarked arms. Despite these acts of desperation, the Romanian foreign debt has continued to climb, passing the ten billion dollar mark in 1984.

Similarly critical economic probems are confronting most of the other East European countries, Poland and Yugoslavia being in the worst trouble. These problems stem directly from the politico-economic structure of Communist societies and cannot be resolved within the Communist system. In order to survive, these countries need real money and real markets, and only the capitalist world can provide them. They desperately need advantageous credits in hard currency and other financial favors, and only the International Monetary Fund and other sources funded or guaranteed by the tax money of American and other Western governments can provide these. They badly need Most Favored Nation status, and only the United States can provide that. If ways could be found to make Most Favored Nation status, international and governmental credits and other financial favors involving American tax money contingent upon a formal, solemn renunciation of espionage against the United States, or at least on American soil, it would be looked upon by the Communist governments as another act of power, and it would be respected. I would respectfully like to present these personal suggestions to Senator Sam Nunn and the Governmental Affairs Committee for formal consideration.

(Defector Signature)

COMMONWEALTH OF VIRGINIA,
COUNTY OF FAIRFAX, To-wit:

SUBSCRIBED AND SWORN TO before me this 28th day of May, 1985

Linda G. Kerns
Notary Public

My commission expires: July 27, 1987.

ANSWERS TO QUESTIONS FROM STAFF OF THE U.S. SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

1. Are US government employees the target of recruiting efforts by hostile intelligence organizations?

Answer: Of course they are, but this is a subject that whole volumes could be written about and is perhaps best reserved for a separate discussion.

2. Are non-government employees who work for US government contractors targets of hostile intelligence organizations?

Answer: Yes, of course. See the answer to no. 13 for further details.

3. What personal characteristics are exploited by hostile intelligence when recruiting an individual?

Answer: Hostile intelligence services look for any kind of personal weakness or susceptibility to blackmail in a target.

4. Are hostile intelligence agents trained to know the intricacies of the US's personnel security operations? Explain.

Answer: Hostile intlligence services try to give their agents as much training as possible to enable them to penetrate the US government. For additional comment see the answer to question no. 9.

5. Is there an effort to exploit vulnerable areas of the US's personnel security operations?

Answer: Hostile intelligence services seek to exploit any perceived weakness or vulnerability, and one of their primary tasks is to study the security situation of any target.

6. From a hostile intelligence perspective, can you describe any vulnerable areas of the US's personnel security operations?

Answer: Studies made by the Soviet bloc services indicated that some of the vulnerabilities to look for in targeting US government personnel were: persons with relatives in Soviet bloc countries; persons sympathetic to leftist movements; persons with character weaknesses, such as alcoholics, gamblers, skirt chasers, homosexuals; persons with large debts; persons without scruples about how they earn money, particularly if it is tax-free. In recent years, however, the most successful recruitments were made by gradually developing a friendly social relationship with the target, ensuring that the target did not report this friendship, and then firming up the recruitment after it was too late for the target to back out of the relationship.

7. Do hostile intelligence agencies consider the US's personnel security program a major or insignificant obstacle to its mission of collecting intelligence, particularly classified information? Explain.

Answer: The Soviet bloc intelligence services consider the US government their most difficult penetration target. See also the answer to no. 13.

8. Are private industry contractors (users of US classified information) easier to penetrate and exploit than government workers? Explain.

Answer: According to studies made in the Soviet bloc, most private contractors to the US government were believed to be equally difficult to penetrate in the United States; however, their foreign subsidiaries were considered much easier targets. See also the answer to no. 13.

9. Does the fact that a US agency uses the polygraph in personnel security matters influence hostile intelligence recruitment tactics? Explain.

Answer: I have noted that recent attempts of the present administration to broaden the use of the polygraph inside the US government have ignited a wide range of controversies. Basically the question considered fundamental seems to have been whether polygraph tests are reliable only in criminal cases, or should they be used in screening situations as a deterent to Soviet espionage. The most comprehensive recent study on the use of the polygraph in the US, issued by the Office of Technology Assessment (November 1983), analyses the matter and reaches the cautious conclusion: "While there is some evidence for the validity of polygraph testing as an adjunct to criminal investigations, there is very little research or scientific evidence to establish polygraph test validity in screening situations, whether they be preemployment, preclearance, periodic or aperiodic, random or 'dragnet'." The current investigation of the Senate Governmental Affairs Committee, directed toward knowing if the use of the polygraph in personnel security matters could influence hostile intelligence recruitment tactics, has a closer relevance to our national security and may produce more pragmatic conclusions, in my opinion.

According to my personal knowledge of Eastern European espionage, the fundamental matter is the fact that it considers the use of the polygraph test inside sensitive US government agencies to be a considerable deterrent to its penetration operations. My earliest recollection on the subject goes back to the mid-1950s, when, as chief of the Romanian residentura in West Germany, I was repeatedly instructed by the Romanian intelligence service (CIE) to obtain, in response to a Moscow request, "any kind" of Western equipment and documents used in "lie detector" tests. In the early 1960s, as the coordinator of Romanian technological espionage and deputy director of the CIE, I learned about the KGB's special interest in polygraphs directly from the Soviet advisors. A psychological unit created in Moscow inside the KGB in the 1950s had the stated function of conducting psychological tests for the selection of new personnel and the promotion of KGB officers, and it had the secret function of preparing for the use of psychological equipment and tests in matters of foreign intelligence and counterintelligence. The CIE received special instructions from Moscow --only via personal courier, not by cable-- concerning plans for the penetration of US agencies protected by polygraph. (The KGB firmly believed the polygraph was used by the CIE, the FBI and some of the Pentagon and NATO.) Personal files of agents or even developmental cases susceptible to check by polygraph were analyzed by special KGB experts, in Moscow or Bucharest. Among the cases especially studied by the KGB polygraph experts were those of Francis Roussilhe and Imre Nahit, NATO functionaries with high clearances whose information was of great value to the Soviets. The KGB at one point considered having these Romanian agents trained to "beat" the polygraph, but later the KGB decided it would not work. The explanation was that, in KGB experience, good results might be obtained with Soviet illegal officers after long and repeated training, but that the results with foreign agents were inconclusive at that time. The KGB believed that, unless an agent had an exceptional character, occasional training sessions could hardly protect him from the polygraph test, if he was deeply involved in espionage endangering national security.

In 1969, after the defection of Romanian diplomat and intelligence officer Ion Iacobescu from France brought about the arrest of a whole network of agents inside NATO, Romanian President Nicolae Ceausescu personally ordered the cessation of all Romanian operations against NATO, as well as against any US agencies using personnel security programs, including the polygraph. He also refused a new KGB proposal for cooperation in testing intelligence officers with,and training illegal officers to withstand, the polygraph.In the early 1970s Ceausescu created a "Psychological Center" inside the Ministry of Interior, which was charged with the psychological testing of people selected to become intelligence officers as well as of officers proposed for promotion to sensitive functions, including the Directorate of Army Intelligence. Various kinds of Western lie detector equipment was illegally obtained, studied and, as of 1978, the date of my defection, being used only for testing intelligence officers. KGB and

Romanian experts rated the polygraph test as capable of measuring excitement, but not lies, and it was never considered as having "absolute value." Its objective weight in a personnel security program was rated between 20 and 40%, but its psychological value in detering hostile penetrations was rated much higher.

10. What types of information about individuals is of interest to hostile intelligence agents when they are contemplating a recruitment effort? Where and how do hostile intelligence agents obtain information pertaining to the personal and professional lives of government or government-contractor employees?

Answer: Soviet bloc intelligence services are interested in any kind of information about US government employees, with special interest in the employees' access to information of value and in their vulnerabilities. The bloc services basically spot targets of interest among visitors to their embassies and persons met by spotter agents. Of particular interest are internal telephone books and organizational directories of US government departments and agencies and of companies doing contract work for the US government. All available information is consulted to check on such targets. It is considered particularly useful to have insurance representatives or lawyers as recruited agents who can help check targets out.

11. Do hostile intelligence organizations view military personnel as susceptible to recruitment efforts? Explain.

Answer: Yes. Lower ranks are considered more susceptible than higher, and the main Soviet bloc effort was concentrated on recruiting US military personnel stationed abroad, rather than in the United States.

12. Are youthful (first term enlistees) of interest to hostile intelligence operations? Why or why not?

Answer: They are of interest, on the one hand because they may have access to information such as training and equipment operation manuals, and on the other hand because, once recruited, they may be financed and helped to move up into more important military positions.

13. Generally, what is your assessment of the security employed by private firms that work on classified government contracts?

Answer: For all Warsaw Pact countries, the United States is considered "enemy number one." American firms working with classified information are far and away the most tempting targets, and no effort or manpower is spared to conduct espionage within the United States and recruit Americans.

The results obtained directly from the United States have, however, been far below expectations. Some of the KGB's explanations for the relative paucity of results are: the limited extent of bilateral relations; the loyalty of the majority of Americans holding clearances; the effectiveness of the US government's personnel security operations; the aggressive work of the US intelligence community; and the general anti-Communist attitude of the American people. Within the Warsaw Pact, the evaluation of the security employed by the major private American firms that work on classified government contracts is higher than that of the security of similar Western European companies. An additional contributing factor is the existence within many American companies of "public relations" departments as independent units located completely separate from the sections dealing with classified information, which in many cases serve as protective filters against hostile penetration attempts.

Insufficient classification and premature declassification of secret information used for US government contract work have proved to be relatively simple aids to espionage, especially in the technological field. American engineers who were owners of small consulting firms have been recruited by the Romanians and other bloc services and have provided an enormous quantity of incredibly useful technologican information from a large variety of industries, including the aeronautics, transportation, microelectronics, steel and chemical industries. Other agents have spent many years collecting recently declassified materials from the Library of Congress and reports from the Patent Office. Beginning in the 1960s Moscow has shown enormous interest in such reports and asked all bloc countries to intensify the recruitment of "consulting engineers" in Europe and Japan and to use them for obtaining recently declassified American technical reports.

The Warsaw Pact intelligence services have established that American firms that sell classified or restricted technological information to Western European, Japanese or other subsidiaries operating under American licenses have not imposed identical security measures abroad as applied in the United States. For this reason Soviet bloc espionage services have had far greater success in obtaining classified or restricted American technological information outside the United States.

14. Generally, what is your assessment of non-government contract firms' security operations such as the Silicon Valley high technology companies.

Answer: See no, 13, above.

15. Are US citizens with security clearances more susceptible to recruitment while in the US or abroad? Explain.

Answer: As stated above, they are more susceptible abroad. They have to start a new social life, make new friends, often in countries that do not have the same anti-Communist atmosphere and in communities that generally have less security protection than at their places of work in the United States.

16. Is it the nature of hostile intelligence to infiltrate government offices or industry by having agents or operatives employed at such facilities?

Answer: See no. 17, below.

17. Do hostile intelligence operations employ long-range plans that cover many years? For example, are "moles" planted for long term operations, or are individuals cultivated to be called upon in the future when their services are needed? Explain.

Answer: One of the fundamental strategies of Soviet bloc espionage is the long-range planning to penetrate important objectives. Agents are recruited as students and programed for eventual assignment as penetrations of priority targets.

18. Are NATO employees targeted for recruitment? If so, to what extent?

Answer: The Warsaw Pact considers that, second only to the Pentagon, NATO has the most complex tactical and strategic Western military information, and no effort is spared for its penetration. The Romanians had relatively impressive penetrations in NATO at one time (Robert Van de Wiele and Francis Roussilhe, officers responsible for keeping NATO classified documents, and Imre Nahit, NATO finance chief). These agents were accorded Moscow's highest attention and appreciation. (They were arrested in 1969, after which Romania, as an exception within the Warsaw Pact, stopped targeting NATO for a time.)

19. Do Warsaw Pact nations utilize the Communist parties of Western nations (Greece, Italy, France, etc.) as avenues for espionage operations? If so, explain.

Answer: In the early 1950s the Soviet Politbureau secretly decreed that members of nonruling Communist parties could not be recruited as agents by Soviet foreign intelligence. Identical decisions were decreed in the other Soviet bloc countries. These decisions were, however, never enforced. Western Communists have been extensively used as spotters for the bloc intelligence services. In cases where Western

Party members gain access to information of value to the bloc intelligence services, some way is found to use them, such as having them resign or be expelled from the Party. In addition, most of the Parties have import-export firms, ostensibly unconnected with any political party, and these firms are intensively and successfully used to obtain information, to spot and to recruit. One example is the West Germany company Sorice, AG, which, at least until 1978, was used by the Soviet, Romanian and East German intelligence services.

20. How do Warsaw Pact nations' espionage activities relate to the Soviet Union?

Answer: All of the Warsaw Pact countries' intelligence services are entirely subordinate to Moscow, using the Soviets' strategies, tactics and methods, fulfilling their requirements, and in most cases even giving the Soviets the identities of their agents. Moscow's control is exercised through the Soviet advisors permanently assigned within these services. Since the mid-1960s Romania has been an exception, as it no longer had Soviet advisors; however, all important information has still been sent to Moscow.

21. Do hostile intelligence services see any value in recruiting and cultivating Americans who have Secret clearances? Explain.

Answer: Yes, if they have access to information of value to the Soviet bloc.

22. Do Canada and Mexico play a significant role in hostile intelligence operations with regard to their relatively easy accessibility to the United States? Explain.

Answer: Years ago, when official Romanians in the United States were under certain travel restrictions, Canada was used as a third country for meeting agents. Now this no longer applies; however, Canada's large numbers of Romanian emigres have supplied a reservoir of prospective agents who have been used to penetrate American technological firms.

23. Are emigres, immigrant aliens or naturalized citizens who immigrated from Eastern bloc nations to the United States of value to hostile intelligence? Explain.

Answer: Since the very beginning of organized Communist governments, emigres have traditionally been used for foreign espionage purposes. Romania and the other Eastern European countries, have based their foreign espionage on the Soviet pattern. In the early 1970s an immense coordinated operation was begun that consisted of computerizing the names and personal data, including places of work, for the emigres from Eastern European countries living in the West. An intense recruitment program, based on nostalgia, coercion and "tax-free" spending money, began to produce quite a few agents. These agents were at first used for influence operations, such as improving bilateral relations with their countries or origin, but with the final goal of being used to provide secret information. In 1972 Romanian President Nicolae Ceausescu started to enforce a basic order that "...no Romanian citizen, whether of Romanian, Jewish or German ancestry, should receive an emigration visa, unless he is a security agent and has a previous written secret agreement to cooperate with a security unit." More than ten thousand emigrating Romanians were recruited after 1972, as a mass operation. Many of them, that is, 99% of the Jews and most of the Germans, once abroad did not use their secret correspondence codes and simply disappeared as agents. But some of them did react, if only to help their relatives still in Romania or ask for money with which to start a new life. As of the date of my defection, more than sixty percent of the emigres recruited as intelligence agents were being used to obtain technological and other secret information from their places of work. Encouraged by these results, the Romanian foreign intelligence service dramatically intensified its efforts to set up a complete inventory of native or second generation Romanians, and the more than 300,000 Romanian emigres living in the United States were the main target. It was an ambitious project, based on consular, mail censorship and intelligence data, and by the date of my defection it contained an accumulation of more than 100,000 entries.

It is beyond any reasonable doubt that immigrants from Eastern Bloc nations to the United States are of significant value to Communist intelligence. Emigres from the Soviet bloc are always still considered citizens of their country of origin. It is considered a punishable crime for them to speak against the government of their country of origin or to refuse to cooperate with their espionage services. There are numerous cases in which emigres have been punished through reprisals against their relatives still living in Communist countries; the most outspoken emigres have been beaten up or even killed abroad.

Senator NUNN. I do have one question that I would like to pose to Mr. Nolan relating to foreign corporations incorporating in this country.

It seems to me that it is obvious that we don't have reciprocity in most of these East bloc countries in terms of being able to have our own corporations actually incorporated there. This is, indeed, in the nature of a special privilege we are according to these countries. Is there room for a careful look at the policy of allowing Eastern European countries to do business here, when we know that a number of them are simply front organizations for espionage? Some of them may not be, but a number of them are.

Is there room here to begin treating this on a selected basis? I know of no provision in international law that requires that we allow this kind of carte blanche corporate activity in the country. Should we begin searching for ways to restrict that privilege of doing business here based on assessments of espionage conduct? I would like Mr. Nolan's personal view on that.

Mr. NOLAN. I think we should. I think we need to have tools both to control and to certainly punish misuse of U.S. corporate structures for an intelligence purpose. There is some question in my mind as to the extent to which the Foreign Missions Act is adaptable to those, or whether some other approach may be better because clearly they are not foreign missions in the traditional sense of the word as it was used in the Foreign Missions Act, particularly those corporations that are partially U.S. stock owned and partially Eastern European owned. I think that those are even sometimes more troublesome as to how you deal with them, and they are U.S. corporate identities.

I think there are a lot of difficult questions in working through the process, but I think that it is one well worth taking.

Senator NUNN. Mr. Nolan, does your office, or does another officed that you know of, have any kind of yearly assessment of the degree of foreign intelligence involvement by Eastern European bloc nations?

Do you make any kind of assessments as to which ones are the worst, which ones are doing the least, whether some are doing no espionage that we know of? Is any effort made in that respect?

Mr. NOLAN. No intelligence assessments are made by my office, Senator. I rely on the community to do it.

Senator NUNN. Does the community do it in terms of rating the degree of activity on a periodic basis?

Mr. NOLAN. I would have to go back to my prior existence and say, when I was the FBI, we certainly examined the number of corporate entities.

Senator NUNN. I am not speaking of just corporations, I am speaking of country activities.

Mr. NOLAN. We reviewed them annually as to what the extent of their activities were in simple questions of determining how to apply our own resources.

Senator NUNN. Suppose the Congress decided to provide a general policy in several respects—trade, corporate activity, most favored nation, international lending, domestic lending, many different facets of economic activity. If this were the premise, and if it were done in a discriminating way based on a yearly assessment, would that be something that the intelligence community and the executive branch could furnish with resonable accuracy?

Mr. NOLAN. I am sure it could. The intelligence community could certainly supply annual assessments.

Senator NUNN. Thank you very much, Mr. Nolan.

Thank you, Mr. Chairman.

Chairman ROTH. Thank you, Senator Nunn.

We appreciate your being here today, Mr. Nolan. Your testimony is most helpful. We would like to continue to work with you in this area. We will continue with our legislation to propose restrictions. I am pleased that the administration is responding to the desires of this subcommittee. Thank you for being here.

Mr. NOLAN. Thank you very much.

[Responses to written questions submitted by Senator Levin follow:]

RESPONSES TC QUESTIONS
FOR
THE STATE DEPARTMENT

Q. Please identify the range of measures available under the Foreign Missions Act to restrict espionage activities in the United States. Please include a description of the types of travel restrictions that could be imposed as well as the types of housing, realty, automobile, customs, numerical, commercial and other restrictions mentioned or suggested during the hearing on December 5, 1985.

A. The Foreign Missions Act enables the Department of State to impose a wide variety of controls on foreign missions and their personnel. These measures in and of themselves do not prevent espionage activities in the U.S. Rather such controls to be effective must be devised in coordination with U.S. counterintelligence organizations to assist and support their efforts in connection with both foreign missions which serve as bases for hostile intelligence activities and foreign intelligence personnel who are assigned to cover positions in foreign missions.

The following range of measures are generally available under the Foreign Missions Act:

Travel

The Department may and for some countries does require either prior notice or prior approval before travel outside of a fixed zone. Normally 48 hours is required for either notice or approval, however, such a time period could be of any reasonable length. In the case of the Soviet Union, 18 hours advance notification is reciprocal. The fixed zone may be as confined, as it is the case of the Libyan Mission to the UN to New York City, or to an area outside of a fixed number of miles in a circle around the city in which the foreign mission is located. Current Soviet controls cover areas the equivalent of 25 miles from the centers of New York, Washington, D.C. and San Francisco. The 25-mile area is comparable to controls previously imposed by the Soviets on our personnel in the USSR. These controls predate the Foreign Missions Act.

Travel measures may also include the requirement that use of all public accommodations or common carriers be arranged by or through the Service Bureau of the Office of Foreign Missions. For example, the Department has recently required Polish, Czechoslovakian, Bulgarian and East German personnel to arrange at least two working days in advance with the Service Bureau public accommodations and travel on common carriers, but has not imposed either prior notice or prior approval for travel.

Housing

All foreign missions must submit proposed purchases or leases of real property, and alterations to such property, to OFM for its review and approval. In certain cases, even members of the foreign missions are required to submit personal purchases or leases of real property for prior review and approval. Finally, certain missions and their members are required to obtain all real property through the Service Bureau of the Office of Foreign Missions. These are usually properties leased by the Office of Foreign Missions and sublet to the foreign mission.

Automotive

All vehicles owned by foreign missions or their members are required to be registered and licensed by the Office of Foreign Missions. In certain cases, the Department has imposed limitations on the number of vehicles, the type of vehicle, or on the sale of such vehicles and/or imposed surcharges in order to reflect the treatment of our personnel in those countries.

Customs

All foreign missions submit to the Office of Foreign Missions their requests for clearance of materials entering the United States for their mission. With the cooperation of the Customs Service, the Department of State may hold up or refuse clearance or arrange for close inspection of shipments to reciprocate conditions experienced by our missions.

Certain missions are required to obtain telecommunications goods and services through the Office of Foreign Missions.

Q. During the hearing on December 5, 1985, Ambassador Rozanne Ridgway and Mr. James Nolan, Jr. were asked about travel and other restrictions that were or could be applied to such diverse groups as diplomatic personnel, journalists, exchange students, tourists, businesses and business employees. Please provide a comprehensive list of the categories of persons and entities which could be subject to regulation under the Foreign Missions Act and articulate the reasons for differentiating among them. In particular, please identify the kinds of concerns we should address when evaluating measures to be applied to a specific group of individuals, for example, journalists.

A. Restrictions are applied both under the provisions of the Foreign Missions Act and under other authorities of the Department of State. For example, travel controls on Soviet diplomats, consular personnel, exchange students, tourists and businessmen predate the passage of the Foreign Missions Act and have been in operation for over 30 years. With regard to Soviet diplomatic, UN mission and consular personnel, those controls have been enhanced by the requirement to book public accommodations and common carrier travel through OFM.

The provisions of the Foreign Missions Act clearly may be applied to travel, real property and other designated benefits of foreign embassies, consulates, and to international organizations and missions to international organizations, as well as the personnel assigned to such entities. They may also be applied to entities that engage in diplomatic or consular activities on behalf of a foreign power, for example, an organization established in the United States to provide services to nationals of a country in the United States which does not have an official diplomatic establishment in the U.S. The provisions of the Foreign Missions Act may also be applied to certain governmental trading companies and news organizations, as well as to the personnel of such entities. For example, the Chinese news organization XINHUA has been determined to be subject to the Foreign Missions Act's controls with regard to the acquisition of real property.

The Office of Foreign Missions is pursuing arrangements that will require Soviet journalists and commercial representatives to book all common-carrier transportation and lodging through the OFM Service Bureau or a designated entity.

With regard to U.S. corporations, especially those with significant Eastern European government stock ownership, the matter is less clear and the Department of Justice is reviewing this question.

Q. Please indicate whether the Soviet Union is the only country in the Eastern bloc which imposes on American diplomatic personnel the equivalent of a 25 mile travel limit. Please provide a comprehensive list of all countries for which the Soviet Union imposes this type of travel restriction and, for each country, indicate whether it imposes a similar limitation on Soviet personnel.

A. The Soviet Union is the only country in the Eastern Bloc which imposes on American diplomatic personnel a 25-mile travel limit. This limitation is normally imposed on all diplomats in the USSR. Few countries other than the United States impose reciprocal conditions.

Q. Testimony at the hearing suggested that the existing 25 mile travel limit on Soviet personnel was originally imposed in retaliation to a similar travel restriction on Americans stationed in the Soviet Union. Is the 25 mile travel limit an effective means for reducing espionage activities in the United States? Please elaborate on your answer. What percentage or types of espionage activities are reduced appreciably by this type of travel restriction?

A. The 25-mile limit enhances the FBI's surveillance capability and helps to restrict Soviet intelligence activity. John Walker's last contact with the Soviets which was observed by the FBI was, for example, located just within the 25-mile limit. For a detailed assessment of the impact of this travel restriction, however, inquiry should be made of the FBI.

Q. On December 3, 1985, James Harper described to the Subcommittee his disclosure of military secrets to Polish intelligence agents. He testified that he was recruited by an American, delivered secret documents only when he was abroad and, in fact, never met with a Polish diplomat or agent while in the United States. Would Mr. Harper's espionage activities have been reduced appreciably by a 25 mile travel limit imposed on Eastern bloc or Cuban nationals? What measures available under the Foreign Missions Act, if any, would have had an appreciable effect?

A. In examining the Harper case or any other espionage case, it is important to bear in mind that neither the agent himself nor in most cases the counterintelligence service which ultimately uncovers him is usually aware of all the actions taken in the case by the foreign intelligence service which operated the agent. Harper and any other agent living in the U.S. may well be subjected to physical observation and other steps by a foreign service to verify his identification and to establish his bona fides. Such actions may be undertaken by intelligence officers using diplomatic or commercial cover or by deep cover agents. Travel restrictions however severe cannot prevent espionage, they do contribute to the overall pattern of counterintelligence activities undertaken by the FBI to make intelligence operations by foreign services more difficult to accomplish.

[At this point, Senator Nunn departed from the hearing room.]

Chairman ROTH. Rozanne Ridgway, the Assistant Secretary of State for European and Canadian Affairs, Department of State.

Would you remain standng, please, and raise your right hand.

Do you swear the testimony you will give before the subcommittee will be the truth, the whole truth, nothng but the truth, so help you God?

Ms. RIDGWAY. I do.

Chairman ROTH. Please be seated, Ms. Ridgway. I know you have had a pretty busy period this past month or so. We are delighted to have you here today. If I may be candid, it is always helpful to us if we can get the testimony early because it enables us to be better prepared, at least from our standpoint, for questions. I would ask and hope that in the future that could be done.

Under the rules of the subcommittee, you may either read your statement or summarize it. In any event, we will include it in its entirety as if read. Please proceed.

TESTIMONY OF ROZANNE RIDGWAY, ASSISTANT SECRETARY OF STATE FOR EUROPEAN AFFAIRS, DEPARTMENT OF STATE

Ms. RIDGWAY. Thank you, Mr. Chairman.

I appreciate your statement of understanding as to why the testimony was not available yesterday. It was in the clearance process following my return on Tuesday to the office after Geneva.

I have listened to the questions, and I know the press of your time, and I know of your interest. Mr. Chairman, perhaps it would do if I just went with the testimony for the record. Mr. Nolan is a close associate with whom I have an excellent working relationship and he has covered, I believe, many of the essential issues. I would simply make myself available for questioning in those areas that are of most concern.

I think we have in the years since the passage of the FMA institutionalized the relationship within the executive branch. It is sound and functioning. Perhaps we need to do a little more on the interchange between the executive and the legislative branches, but I think that is moving as well in an appropriate direction.

I was pleased to hear your favorable comments on the actions that we have taken without the press of legislation in the direction that you are interested. There is more to be done. There is more to be done here. There is more to be done overseas. But I think that we are all moving in the right direction, and we are beginning, if you will, to work more closely together with some shared appreciation of the nuance.

I wouldn't say any more than that. My testimony is here, and I am available for questions.

Senator COHEN. How are you getting along with Mr. Regan?

Ms. RIDGWAY. We do definitions at certain staff meetings.

Chairman ROTH. As you know, we have had several hearings on the matter of the activities of the satellite nations. Do you feel that they represent a significant threat to the protection of our national security?

Ms. RIDGWAY. Yes, I do.

Chairman ROTH. Certain areas of the United States are closed to Soviet visitors, but not to citizens of the satellite countries. Does this make sense in your judgment?

Ms. RIDGWAY. It does in my mind, Senator. But the question cannot be seen in a single dimension, that is, the United States within its own borders. In terms of the national interest of the United States within the borders of the United States, I think the answer to the question is obvious, it does not make sense. But the theme that I try to emphasize in my prepared testimony, which perhaps I might state here, is that there is a requirement for all of us, as Mr. Nolan noted, to consider in each instance what expression of national interest we have overseas in the same field, and to find the balance.

We are not governed by closed area regulations in the countries of Eastern Europe. Our personnel are free to travel, and we have found that to be of importance to us. These are closed societies. The opportunities to have access, to understand, to see, to talk, to meet, are very limited. They need development. We have come to the conclusion that while there are risks which must not be underestimated, and which we must keep under review, there are benefits on the other side of the equation which are serving the national interest and which justify the absence of closed areas in this country for East Europeans. It is that careful weighing of each proposal that perhaps has led to the stories of, if you will, parts of the Department being less than enthusiastic. Those stories are incorrect. It is that weighing process that in this case has produced the conclusion that, given the national interests abroad and at home, we would favor not having closed areas with respect to East European embassy personnel.

Chairman ROTH. Isn't it a fact that while there may be in theory considerable freedom in some of these satellite countries to travel, the fact that they are controlled or policed societies makes a very significant difference? In other words, I doubt that many people can travel in any of these countries without being watched very carefully by the police and others. The airlines are normally owned or controlled by the state. We really don't have reciprocity in the true sense of the word, would you say?

Ms. RIDGWAY. That is correct, we do not, and it is the asymmetry between open and closed societies, and we represent the open society, you are quite right.

Chairman ROTH. But does it make sense to say, with the knowledge, and I must repeat what I said in my opening statement, the FBI Director, the Assistant Secretary of Defense, and a number of Senators have all clearly spelled out that it is a fact that the Soviet Union is using these satellite countries and their personnel for espionage.

Isn't it foolish for us not to at least put some restrictions on these people in order to be aware of at least where these people are going? The most valuable thing that they can get is probably our industrial technology.

I agree with you that there is great importance to letting their citizens, particularly their youth, learn something about a free society, but in the process of doing so, it bothers me very greatly that we are opening the door to espionage and the seizure of valuable secrets that can risk lives in the future, American lives.

Ms. RIDGWAY. I agree with you on that, Mr. Chairman, and I, I think along with others, read with great interest the very careful work that was done on the technology transfer report recently published by the Defense Department. I think this was part of the background of the testimony of the Assistant Secretary of Defense and the FBI Director, and I believe that we have to keep this under very close attention.

It is not an answer that one can give today and say that it applies forever, because that balance can change. It is true that our personnel in East European countries are flying, if you will, national flag airlines, but they are also free to drive. Again one can say, as I think I must after my own experience in the German Democratic Republic, that on major highways, at major intersections, people are probably well aware of the comings and goings of our personnel. But I think we do have to be more alert in the future to exactly the concern you express in the process of weighing the balance.

I don't want to say to you that I am convinced that our answer today that this should not be done will also be our answer tomorrow. It is the weight of the evidence that for now tilts the scales of national interest in the other direction.

Chairman ROTH. I think this subcommittee is going to take a very hard look at that and possibly come up with legislation. I would urge that you, at the State Department, and other agencies interested in this problem to do the same.

Let me ask you this. You earlier agreed that Eastern European intelligence services are a threat to the United States. Would you consider abolishing credits to Eastern European nations who commit acts of espionage in the United States?

Ms. RIDGWAY. Mr. Chairman, I find that across the range of the relationship with the Eastern European countries there are many concerns that the United States has. We have them with respect to equal treatment for American businessmen. We have them with respect to emigration. We have them with respect to human rights and humanitarian questions. We have them with respect to intelligence.

We keep looking at the same features of an international relationship—credits, travel, if you will, opportunities for business exchange, opportunities for exchange of people—to press a particular national interest.

I am trying to think, as I consider your question, of how many U.S. interests are going to be loaded on one sanction. We already don't lend official credits because of emigration. We already don't lend official credits because of Afghanistan in some places. We already don't lend official credits in some places because of events concerning domestic matters in Poland.

I think that one loses the effectiveness of these carefully measured steps if we just keep loading concerns on the same matter, credits in this case, as your example.

I think that if there is interest in proceeding in this fashion, we really ought to sit down and look for the mix and match, and look for things that are workable. I understand, for example, the objective is to stop espionage. We have to find ways to make this happen. If you tie this, if I can use the example, to credits, one has no way to be responsive if the same credits are denied for several independent reasons. For example, let's say that espionage changes, patterns change, and you want to indicate that you noticed that, those credits still won't be available to you because there is another body of law that says you can't do it for a different reason, and behind that yet another.

I don't mean to go on so elaborately in answer to your question, but I am a great believer in looking for exact relationships where one can deliver a message, where one can not only deliver the tough message, but show, in the event the tough message is delivered, that one can be responsive. I think that it is going to take the identification of some new leverage.

Chairman ROTH. Let me go back a moment to the agreement in Geneva where I think there was general agreement that we would open our doors for further exchange of students and other citizens.

I think that most people would agree that this is desirable, particularly where they are truly students, they are people who really are interested in learning something about the United States. The other side of the coin is that, again, this opens the door of opportunity for espionage.

Are you giving any thought to some mechanism for screening to ensure, to the extent you can, that individuals who are going to be admitted as students are truly students?

Ms. RIDGWAY. The project is proceeding on two levels, Mr. Chairman. The first is in the area that you directed your first concern to, the nature of the exchange program itself. We tried very hard in Geneva to expand the exchange program from the more traditional 35- to 45-year old researchers down into the elementary and secondary levels, and to undergraduate exchanges, something that we have not had much success with in the past. In developing the program with the Soviet Union, this is where our emphasis is going to be.

There are other traditional research programs, such as cancer research, that are being resumed where there will probably be older researchers, but we are looking to the younger person.

When that is developed, we find in our experience, and I have not heard otherwise in the interagency community to date, that the existing mechanisms are quite sound. They have been developed over the last couple of years under the lead of an interagency group—Comex Committee on Exchanges.

Beginning with the application of someone for an exchange program visa, or word to us from an organization that someone is about to be selected, we have had a very good experience with knowing who is coming, and we have not hesitated, in my experience, to say, no, that person won't do.

The machinery is in place, and I think that it would meet the rather tough test that your subcommittee applies to such things.

Chairman ROTH. My time is up for the first round.

Senator Cohen.

Senator COHEN. Thank you, Mr. Chairman.

Ambassador Ridgway, let me congratulate you on the work that you have done in Geneva. Obviously, you were one of those few exceptions that were referred to who were concerned more with missiles and throw-weight, rather than the latest fashion, I am sure.

Ms. RIDGWAY. Senator, I appreciate that. As you know, from among your colleagues here perhaps more than anyone, there was some previous experience at negotiating that helped a little bit there.

Senator COHEN. I would like to go back to your statement which you submitted for the record. You indicated that the State Department does, in fact, share the goal of the Leahy-Cohen measure with respect to diplomatic equivalence. I assume State, also shares the goal of reducing the personnel employed in our Embassy in Moscow.

I was told that the Secretary of Defense had, in fact, written to the Secretary of State indicating that he felt that every single foreign national should be removed, and that the reply that came back indicated that the Secretary of State felt that it might be safer to employ foreign nationals. Do you have any knowledge of such correspondence?

Ms. RIDGWAY. I have seen the correspondence so long ago that I wouldn't want to paraphrase it. But I was present in the audience, Senator, when you spoke also of your concern about a remark that somehow Soviet employees would be safer than Americans.

I believe I know the concerns that people have in mind as they talk about changing the Embassy community to a 100-percent American community, and I don't think that it is a fair presentation of their concerns to say that this is what they had in mind.

As we move to the identification of those positions which can be filled by Americans, which make good sense to fill with Americans, we do have to be concerned with having in place on the ground in Moscow a support system, an infrastructure that makes life in such a difficult society bearable. Someone who comes out on a 2-year contract, let's say, in the area of maintenance workers, is not likely to be, even in an avocational sense, deeply interested either in Soviet history or the Russian language, whose concerns are going to be those that most of us here have today of family and how they are doing, and schooling for children, and access to what makes up a modern life. One has to be concerned that the community as it grows is not itself so disheartened by what is available, so disheartened by the experience of a society in which they have, in fact, no long-term interest, that they become unwitting targets. That, I believe, was the concern.

I cannot believe that anyone in the building meant to suggest that American citizens would not be patriotic by instinct, by intent, and action.

Senator COHEN. I would come to the opposite conclusion. I would think that any American who was, in fact, working there, and saw the conditions under which they had to live, would be less likely to be tempted to work for such a society. It is much easier for the Soviets to recruit Americans here by offering them money, because they have the source of money and the freedom. It is quite something else to have an American exist in a society which is closed, is oppressive, is inefficient, to say the least, and deprives individuals of the very things that we take for granted. It would be much more difficult to corrupt them in that society that it is right here through the use of money.

Ms. Ridgway. It is an interesting proposition, Senator, but one might find that the blandishments would be substantially different after a year of a rather lonely existence in that kind of a setting. There would be a different way of working that.

The intent was never as paraphrased, and I am sure you knew that.

Senator Cohen. Your testimony was somewhat tardy, but I just saw Senator Nunn's affidavit from the Romanian defector.

Ms. Ridgeway. I think that this is the Senator's privilege and not mine.

Senator Cohen. Yours might get read. I am not sure that everything we put in the record always gets read. I am going to read this to you because I think that it is important.

> The recruitment of foreign citizens employed by U.S. civilian and military installations abroad has proved to be an efficient and quite comfortable way for Eastern European espionage services to penetrate the U.S. Government. In my position as State Secretary in the Romanian Ministry of Interior I had detailed knowledge about top secret operations for obtaining information from the United States Embassy in Bucharest, using Romanian employees.
>
> According to two consecutive directors of the counterespionage service, every single Romanian citizen employed by the United States Embassy was an agent, and after 1972 some of them were even securitate officers under deep cover or illegal officers. From 1972 up to the time of my defection, I was weekly given copies of documents taken out of the embassy, as well as operational studies on the American diplomats, their family members, and detailed information about visitors to the United States Embassy.
>
> I also informed about several operations organized against American diplomats or their families, at least one of which constituted, in my opinion, a serious threat to U.S. national security. Furthermore, I knew about foreign employees in other United States embassies in both Eastern and Western Europe who had been recruited by Soviet bloc services. Within the Soviet bloc intelligence community, the foreigners employed by the United States embassies are considered a very important way to obtain information and a successful means of conducting offensive operations such as electronic eavesdropping and recruitments.

Then the statement goes on to point out that there is a lot of activity, particularly in Western Europe and Japan. One individual, whose position was fairly low on the totem pole—he was a janitor—was providing information which at first, he says, was virtually nil. He was not turning much over, but he was used as a spotter. Then suddenly he started coming up with bags of information. He could fill his car with so much information that he had. It turned out that he still had the same job, but now, having gained his employer's confidence, he had been put in charge of burning in his furnace the classified trash and other military documents marked for destruction. Then, of course, instead of burning them, he was truckloading them over to the secret service.

In addition to this, his wife was given a job by Radio Free Europe in Munich, where she photographed and turned over the most important documents the Romanian intelligence service ever received from this organization.

I think that the testimony is fairly clear that these foreign nationals are in fact used for intelligence purposes, whether they are mechanics, plumbers, seamstresses, cleaning ladies, or whatever they might be. They are there to gather information. It seems to me that we have got to take measures to remove that and change that.

Ms. RIDGWAY. That is true, Senator, and I would hope that between the testimony of Mr. Nolan, and my own submitted testimony, you would see a record that would begin to give you some sense that, if you will, the preparatory discussion as to whether we are all on the wavelength or not is long over, and what we are doing now, as the Secretary likes to say, is working the problems.

Senator COHEN. I think that is all I have, Mr. Chairman.

Chairman ROTH. With respect to the employees at our various embassies, I have long wondered, and have asked my staff to look into the matter, about the fact that we have an immediate source of employees available which we don't take advantage of, and that is spouses.

I wonder why we don't. In my travels abroad, I find that often the wives, or husbands in some cases, are very much interested in the opportunity to work. They are well-educated, well-qualified people. Why don't we do something about that?

I really think that it is a great mistake from two standpoints, from personnel relations and, frankly, from helping solve the problem that Senator Cohen made reference to.

Ms. RIDGWAY. Mr. Chairman, I am coming at that question also from two standpoints. I will be very happy to make available to you the information in the Department that shows how attractive our spouse employment is.

I think I could say, if you will allow me, that 15 percent of every spouse who wants to work overseas has an opportunity for a job in the Embassy. We have worked very hard for reasons not directly associated with counterintelligence questions, but with respect to the current American social phenomenon of the trailing spouse, or the professional spouse, or the couple whose children are now in school. We, too, have had to respond, as has American industry, with the development of spouse opportunities.

From my own experience in East Germany I know we add to that on a summer basis. We employ dependents, that is, the kids coming home from college, where we had them clean gutters and get roofing back on, where we were able to get modest insurance programs for them, and to employ them for the work that we normally would have had to employ East German contractor people for.

I think that there is a great deal of imagination which coincides with your interest, but in truth did start with the task of finding employment opportunities for spouses in the current social setting of the United States. I will be happy to provide you with a Department report on spouse employment. It is a fascinating phenomenon.

Chairman ROTH. I would be very much interested in it. As I said, I have had a number of wives talk to me about this matter. It just seems to me that we do have a great resource here that ought to be used appropriately.

Ms. RIDGWAY. We do.

Senator COHEN. May I ask one other question.

Chairman ROTH. Sure.

Senator COHEN. Would it be inappropriate or out of the question to consider the comparable situation, which I think you mentioned, in which people are put in the menial jobs and which they might find life very unsatisfactory, get a little bit bored, and not have available to them the kind of activities they might desire. The sailors that we have on our aircraft carriers have a similar problem, and we deal with that by letting them have liberty periodically, or coming home periodically.

Couldn't you have a situation where you could use some military personnel to do some of the jobs, whether it would be mechanical, working on cars, doing all the things that you hire out to do now, and having some system of rotation periodically so that they don't get trapped in the situation where they are totally isolated with no extracurricular activities?

Ms. RIDGWAY. I think that we are going to have to do exactly that kind of thing, Senator. If you go the other way, if you go with those who come with large families, wives, children, you start spreading out into an infrastructure that has a budget picture that is unacceptable.

Senator COHEN. I know that cost is a major consideration but you have to say, compared to what? We don't have an embassy in Moscow all over the globe. We have one Embassy in Moscow, where we have one major problem in that particular country. There may be several others. It seems to me that we don't have to do it at every Embassy, but do it in those embassies that present the biggest threat to our national security. It seems to me that the expense might be worth it. We would not, for example, have a situation where typewriters are shipped in through a procedure which doesn't guarantee security. It is manipulated. It allows a situation where we can have the Soviets picking up our communications coming through the Ambassador's office.

It would seem to me that in those cases it would be worthwhile for the Secretary of State or yourself to come forward and say, it is going to cost money, but as compared to what. We think that it is a minimal amount in terms of maintaining a greater level of security. I think that we always have to weigh that and balance, rather than to say, it is going to cost more. It is going to cost more; that is true.

Chairman ROTH. We know that there have been instances where the Soviet bloc countries have used so-called journalists for espionage purposes. Our point of view, where we have a free press, which we hold very near and dear, is that we don't like to see any limitations. On the other hand, you don't have that situation behind the Iron Curtain. The so-called journalists are not free agents. Recently, when England sent home a number of diplomats, at least one of them was a so-called journalist.

Do we place any restrictions on Soviet journalists in this country?

Ms. RIDGWAY. I believe that we do not. Again, we know their activities. We know who they are. They have to work with visas. We know where they are. We know of their general travel. I am sure that they aren't going in directions that we don't know of, and I have no doubt that we would be willing to respond to activities on their part that were not legal.

Chairman ROTH. Can they travel freely throughout the country?

Ms. RIDGWAY. I would have to take the question. I don't know the details of that, Mr. Chairman.

Chairman ROTH. I would appreciate it if you would submit that in writing.

Ms. RIDGWAY. I will be happy to.

[The information referred to follows:]

Soviet journalists are required to file a diplomatic note providing advance notification of all travel beyond the free movement zone immediately around the city where they are assigned (New York, Washington, and San Francisco). Advance notification consists of the traveller's name, date of travel, means of transportation (including tag number of the car), itinerary, and destination. All travel controls, including closed areas, apply equally to Soviet diplomats and journalists. The Office of Foreign Missions is also in the process of contracting with a third party to book all the common-carrier transportation and lodging for Soviet journalists. When that arrangement is completed, Soviet journalists will also be required to book all of their travel and lodging through an OFM-designated entity. There are no similar controls on East European journalists.

Chairman ROTH. I question whether we know where they are, when, or why. Do you have any plans to impose any restrictions on the movement of journalists?

Ms. RIDGWAY. No, we do not beyond those that I may find we already have as I look into the question that I have just taken.

Chairman ROTH. Mr. Rinzel, the staff director, has a question that he would like to ask.

[At this point, Senator Cohen departed from the hearing room.]

Mr. RINZEL. Thank you, Mr. Chairman.

Ambassador Ridgway, you indicated that you have an excellent relationship with Mr. Nolan, and I certainly understand that to be the case. But isn't it also true, Madam Ambassador, that some of the people who are under your supervision at the State Department, specifically those assigned to various national desks, have been most resentful and uncooperative, and obstructionist in dealing with that the Office of Foreign Missions, and have failed to follow and, indeed, have attempted to obstruct policies that have been set at higher level? If that is true, what do you plan to do about it?

Ms. RIDGWAY. It is totally untrue.

Mr. RINZEL. So the information we have is totally and absolutely untrue. The people, for example, in your Russian Desk have been fully cooperative and supportive; is that what you are saying?

Ms. RIDGWAY. The people on the Russian Desk, who work under my policy, and who go right up the line to the Secretary of State, have been tasked with the same set of concerns that I have described here for myself to find that balance of interest in the United State and the Soviet relationship which is expressed here and in the Soviet Union. They, above all, Mr. Rinzel, having served in the Soviet Union, being part of a team of people who do tough things and have lived in a tough place, are especially keen to see to it that their colleagues in the Soviet Union enjoy the fully benefit of the Foreign Missions Act.

In fact, I can think of no offices in the Department of State which more supported OFM and FMA than the Office of Soviet Affairs and the Office of Eastern European and Yugoslav Affairs, who for personal reasons, as well as professional reasons, over the years since the 1950's, had sought ways to strike a balance between these important sets of national interests, and professional and personal interests. They are part of a group, a very close group of people who go out, as I said, and do tough things.

To the extent that the requirement they have among their responsibilities to inform the Secretary of State of the possible prices to be paid, is seen by others as being less than supportive of the policy, I think that it is an incorrect reading of how policy programs are implemented here.

I heard the chairman say, one understands how policy programs are made, and the expectation is that once the decision is made, we all march. I can tell you that when a decision has been made, everyone has seen to it that it is implemented in the way that it was intended by those who made the decision and is consistent with policy.

I would not want to lead an office in which that kind of discussion ahead of time, that examination of costs and benefits, could not take place. Perhaps there has been a misrepresentation, I would hope not. I would hope that, in fact, you would see, as I do, the necessity to discuss, to argue, to weigh, to decide, and to implement. In the link between decide and implement, which we have in the Department of State, as I said, the statement is without any foundation.

Chairman ROTH. I will have to be very candid with you. I hope you are correct, but it would be the first large organization that I am aware of where there is 100 percent implementation of policy.

I agree very strongly with you that employees at every level should have the opportunity to express their convictions, their opinions, and their recommendations. I think that it is a mistake to do otherwise. But I will have to say that in some cases, including our legislation with respect to UN employees, there were instances that left cooperation lacking.

As I said, in any large organization, there are always those who continue too want to push their point of view. I think that this is sometimes a problem. I understand what you are saying, but I think that it is important that that goal be effectuated, and not glossed over.

Mr. RINZEL. Mr. Chairman, with your permission, I would like to introduce copies into the record of the charts that have been prepared, including the chart that we introduced at the last hearing and which was discussed at the last hearing.

Chairman ROTH. So ordered.

[The charts referred to were marked exhibit 5 and follow:]

EXHIBIT NO. 5

RESTRICTIONS IMPOSED ON SOVIETS IN THE U.S.

Categories Regulations	Diplomatic, Consular (incl. short-term) personnel & Military attaches	USSR Missions at the UN	UN Secretariat Personnel	Resident & short-term correspondents, Intourist, & any media personnel	Business Residents (Amtorg, Sovfracht, Belarus, Marine Resources, etc)	US-USSR Exchange Programs & Delegations (incl. short-term visitors)	Tourists
1. Must submit Travel Service Request to State Department	YES	YES	YES	NO	NO	NO	NO
2. Travel note submitted to State Department	YES	YES	YES	YES	YES	NO	NO
3. Subject to Closed Area Restrictions	YES	YES	NO	YES	YES	NO	NO
4. Subject to 25-mile radius.	YES	YES	YES	YES	YES	YES	NO

Other Nationalities Subject To Travel Controls

Categories Regulations	Embassy of Afganistan personnel	Afghanistan Mission to the UN	Libyan Mission to the UN	Outer Mongolian Mission to the UN	North Korean Observer Mission to the UN	PLO Observer Mission to the UN
1. Must submit Travel Service Request to State Department	YES	YES	YES	YES	YES	YES
2. Travel note submitted to State Department	NO	YES	YES	YES	YES	YES
3. Subject to Closed Area Restrictions	NO	NO	NO	NO	NO	NO
4. Subject to 25-mile radius.	YES*	YES	YES**	YES	YES	YES

(*) Afghan citizens assigned in Washington and accredited to the US, and their dependents are authorized free travel within a circular zone whose radius is 20 kilometers (12.43) of the center of Washington, measured from the dome of the US Capitol.

(**) Libyan Mission personnel are restricted to the following boroughs of New York City: Manhattan, Bronx, Queens, Brooklyn, and Richmond.

RESTRICTIONS IMPOSED ON CUBANS IN THE U.S.

Categories Regulations	Cuban Diplomats (including short term)	Cuban Mission to the United Nations (CUMUN)	Cuban Secretariat personnel
1. Must submit Travel Service Request to State Department	YES	YES	YES
2. Travel note submitted to State Department	NO	YES	YES
3. Is State Department notified of new arrivals, (incl. short-term?) How?	YES (notified by phone).	NO	NO
4. Subject to closed area restrictions.	NO	NO	NO
5. Subject to 25-mile radius.	NO	YES(*)	YES(*)

(*) From the center of Columbus Circle in New York City to outlying areas not to exceed 25 miles.

Chairman ROTH. Madam Secretary, we really appreciate your being here today. I look forward to working with you. There is a delicate balance between the needs of security and the needs of trying to develop a better relationship. We are fully appreciative of that fact. The question is how we can best reconcile that, and we look forward to working with you to this end.

Ms. RIDGWAY. I do the same, Mr. Chairman.

Chairman ROTH. Thank you very much.

[The prepared statement of Ambassador Ridgway follows:]

AMBASSADOR ROZANNE L RIDGWAY'S
STATEMENT BEFORE THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS OF THE SENATE GOVERNMENTAL AFFAIRS COMMITTEE

DECEMBER 5, 1985

Mr. Chairman, I appreciate the opportunity to testify before the Subcommittee on the role of the Department of State in countering hostile espionage activities in the United States and in achieving reciprocity in all areas for our missions and diplomatic personnel abroad. These two objectives are often mutually reinforcing, but sometimes require difficult decisions. They have become the twin pillars of our policies toward foreign missions and their personnel in the U.S.

I

Mr. Chairman, I believe the Subcommittee's hearings have contributed to a better understanding on the part of the American public about the nature and extent of the threat posed by hostile intelligence services operating in our country. As the recent and continuing spate of spy cases demonstrates, the threat is real. The President has made clear the Administration's commitment to prosecute these cases. This will help deter future espionage, as well as punish those who have been caught. Thanks to the support of Congress our counterintelligence resources are being restored. The Administration has been considering what new restrictions might be applied to reduce the size of the hostile intelligence threat, and better control foreign missions and their personnel which pose significant espionage threats. Today I would like to share with you some of our thinking and our conclusions.

Although the FBI has the main responsibility for protecting against the espionage threat within the United States, the Department of State plays an important supportive role. The Department works closely with the FBI and other members of the Intelligence Community in the common effort to counter the hostile intelligence threat by regulating and controlling the activities of hostile country missions and personnel, and by reviewing visa applications, and, where necessary, limiting the number of authorized diplomats/officials.

We all share the common objective of maintaining reciprocity in our relations with other countries, and especially the Soviet Bloc states, in terms of numbers, status, privileges and immunities, travel accommodations and facilities. This Administration from the first has taken steps to better ensure reciprocity for our diplomats, and to improve our ability to counter the hostile intelligence threat in this country. The Foreign Missions Act of 1982 provided the legal basis for major steps forward. Through the Office of Foreign Missions, closer cooperation between the Department and the counterintelligence community has been institutionalized.

Within that community, the Department of State, as the principal foreign affairs agency of the Government, has two responsibilities -- to contribute to the most effective counterintelligence policies and programs, and to assure that a balance is found between our national security interests at home and our national security interests abroad. In weighing potential measures, we must remain mindful of the need to balance overall U.S. Government interests. A truly effective policy to control the hostile intelligence threat must weigh both the counterintelligence benefits and the cost to U.S. national interests, as represented by our own presence in other countries, including our own ability to operate, travel, have access and to collect critical information. Finding the balance is a most difficult challenge, and one that requires all of us -- the Congress and the Executive branch -- to work well and closely together so that our collective wisdom can make sure that two important national security interests are equally well served, and that where a choice must be made, it is made in full awareness of the costs to be paid.

This being said, let me review briefly what the Department has done over the years, and since the passage of the Foreign Missions Act of 1982 to maintain reciprocity in its relations with Soviet Bloc countries and control the hostile intelligence threat directed against the United States. As far back as the

1950s, we imposed travel controls on Soviet diplomats, and closed a number of areas in the United States to match areas in the USSR closed to foreigners. In recent years, as the Soviets and their allies have stepped up their espionage activities against the United States, we have imposed and strengthened controls on the activities of Soviet, East European, and Cuban officials.

-- In 1980 we imposed a ceiling on the number of Soviet diplomatic and consular personnel allowed in this country.

-- In 1982 we imposed the requirement that all non-official Soviet visitors remain within a set radius of their destination unless special approval is obtained.

-- In the same year, we also took steps to control overstays by Soviet officials on temporary assignment in the United States through tighter limits on their length of stay in this country.

-- Soviet officials are limited to a reciprocal number of approved entry/exit points in the United States. Since 1984 the Soviets have had five approved entry/exit points (New York, Washington, Rouses Point, San Francisco, and Baltimore by ship only).

-- In August 1984, Department of State commmenced issuance/replacement of all foreign mission automobile license plates. This has been of significant assistance to the FBI in its identification of hostile country officials.

-- In November 1984, we informed the Soviets that leases of real property would have to be approved by the Department. In addition, the Bulgarian and Czechoslovak Embassies now lease all housing through the Department. Several requests have already been denied for national security reasons. Real property acquisitions including residential dwellings by hostile country missions and personnel must be approved by OFM.

-- Since August 1985, the Soviets have been required to obtain through OFM all construction materials for their new Embassy complex.

-- In September 1985, we imposed travel controls and OFM travel service requirements on those UN Secretariat employees whose UN missions were already under such restrictions. These are the Soviets, Afghans, Iranians, Libyans and Vietnamese.

-- Since October 1985, the Department has required the Soviet and East Bloc countries to obtain permission to purchase and install telecommunications equipment. The Department recently denied a Soviet request to install a parabolic dish antenna at their new Embassy site and at their recreational facility at Pioneer Point, Maryland.

-- OFM works closely with the Customs Service, which carefully monitors Soviet and East European customs shipments.

-- Most recently, we have imposed OFM travel service requirements on East German, Polish, Czech and Bulgarian officials assigned to diplomatic, consular, commercial Missions in the U.S. as well as other official government offices.

-- We have also placed the Soviet Union's Warsaw Pact allies on notice that areas of the United States now closed to travel for the Soviets may also be closed to them for upwards of a year if any of their personnel are detected in espionage activities in those closed areas.

In combatting the hostile intelligence threat, we have not restricted ourselves only to areas covered by the Foreign Missions Act, useful as it has been. Several US Government agencies are actively engaged to prevent technical penetration of US missions abroad, and to protect against electronic eavesdropping by hostile country missions here in the US. In this regard, special measures have been taken in Washington, New York and San Francisco -- where Soviet diplomatic missions are located -- to protect sensitive US Government communications.

This Committee has just heard Mr. Nolan describe the mechanisms by which the Office of Foreign Missions regulates travel, housing and other benefits accorded to Soviet and certain other foreign officials. The effect is to control the movement and activities of these personnel; to provide us with critical information; and to help the FBI to carry out its responsibilities more effectively with the resources available. With the help of Congress, the Department has used its Office of Foreign Missions as a means to control the activities of diplomats from certain nations posing a significant intelligence threat.

The Bureau of European and Canadian Affairs and OFM consult closely on all issues related to Soviet and East Bloc missions. For example, on travel by Soviet personnel, the Office of Soviet Union Affairs, is in daily contact with OFM's Interagency Liaison Group that reviews travel to evaluate the impact on national security. On a whole array of other issues -- customs, purchase of materials, leasing of property, etc. -- we regularly consult. More has been done in the past four years -- with the passage of the Foreign Missions Act and increased funding for counterintelligence -- than in the previous forty. As the hostile intelligence threat continues to grow, we need to look at new ways to deal with it. I would, however, repeat my previous point. There is no substitute for the serious discussion among all interested parties which is needed to weigh each proposed action to determine the net gains and losses across the range of all our national security interests, here and abroad

Having discussed movements and activities let me now address the other main aspect of our strategy to counter the threat posed by foreign intellignece services in this country, namely, controlling the numbers.

Any U.S. counterintelligence effort would be overwhelmed if the numbers of hostile intelligence agents deployed in our country were allowed to increase without limit. Therefore, this Administration's strategy is to limit, in keeping with treatment reciprocally accorded U.S. personnel, the number of foreign officials serving in those diplomatic and other establishments which are most favored as cover for espionage operatives. Here, again, the question of balance arises. In implementing the Administration's strategy, we seek to maximize counter-intelligence benefits while minimizing potential harm to the capability of our diplomats, military attaches, and other personnel to operate effectively in the difficult environment of these closed societies.

In January 1980, we imposed a ceiling on the number of authorized Soviet diplomatic and consular personnel permanently assigned to their bilateral missions. That ceiling capped them at the existing level of 320 diplomatic and consular personnel. We have 232 diplomatic and consular personnel permanently assigned to our Embassy and Consulate General in the USSR. In Geneva, President Reagan and General Secretary Gorbachev agreed to open one new Consulate General in each country. The Department has decided that no Soviet national employees of the consulate, if there are any, will have access to the consular office building in Kiev. The new Soviet Consulate General in New York will have no more employees than the number of Americans assigned to Kiev.

We support the goal of achieving substantial equivalence in the respective number of Soviet and American diplomatic and consular personnel. The Department supported the language of the Leahy-Cohen amendment that called for substantial equivalence in this area. In April 1985, the Secretary approved a plan to enhance security at our Embassy in Moscow. One element of the plan is to replace a substantial number of Soviet national employees with Americans. Full implementation of this plan, which will be accomplished by the time we move into our new embassy two to three years from now, will result in substantial equivalence in the respective sizes of the Soviet and U.S. Embassies in each capital. Thanks to Congress' willingness to appropriate the necessary funds, we already plan to fill as many as 57 new American positions in Moscow over the next several years.

Americans in Eastern Europe will be increased as we progressively replace local national personnel in certain unclassified jobs. In both the Soviet Union and Eastern Europe, we will continue to review all FSN positions to determine whether replacement by American personnel will contribute to the enhancement of Embassy security and maintain an abiliity to provide a workable setting for those Americans who are there.

Clearly, Moscow's East European Allies do involve themselves as surrogates for the Soviet Union in the illegal acquisition of intelligence and controlled technologies. The recently issued assessment, "Soviet Acquisition of Militarily Significant Western Technology," deals with but one aspect of this serious problem. However, it underscores the active and often effective role played by East European surrogates in obtaining controlled technology for the Soviets. In taking steps to reduce the espionage threat in the United States, we are mindful of the East European dimension.

The asymmetry of open versus closed societies is an important factor in this equation. Given the closed and controlled nature of East European societies, our ability to travel unimpeded by controls or restrictions is of significant value to us. The East Europeans do not impose discriminatory restrictions on travel by U.S. personnel in their countries. Our personnel can travel at will without advance notification or authorization. Hence, in reviewing possible travel restrictions on East European personnel in this country, the challenge to our own interests is clear. We need to preserve our ability to acquire vital political and economic information, maintain contacts with religious leaders, dissidents, academics and cultural figures, monitor military maneuvers or the installation of new weapons systems, expand opportunities for American businessmen, provide the full range of consular services to American citizens in distress. Our policy on dealing with the East European espionage threat should also take account of the differing levels of intelligence activity conducted by the various East European governments.

The measures we have taken recently to impose OFM travel service restrictions on East German, Polish, Czech and Bulgarian personnel will significantly enhance our ability to monitor and deter espionage activities. Their personnel are now required to book commercial transportation and hotel accommodations through OFM. While the East Europeans do not require our personnel to obtain these services through a central government office, we believe that these measures are nonetheless necessary to improve our counterintelligence capability. Similarly, we have put all of the USSR's East European allies on notice that areas of the U.S. now closed to the Soviets will be closed to them if any of their personnel are detected in espionage activities in those closed areas.

These measures have two objectives: First, we will improve the capability of our law enforcement agencies to monitor movements of East European personnel. Second, and equally important, we will increase the cost to the East Europeans should they engage in espionage, thereby introducing an element of deterrence. By making it clear to the individual East European nations that engaging in espionage will have severe consequences for their presence, including travel, in this country, we increase the price an individual country must contemplate paying for engaging in espionage, either on its own behalf or for another power.

In addition to the measures I noted that have already been taken, the Administration is currently considering additional steps to further reduce the Soviet and East European hostile intelligence threat. Among the measures we are presently examining are:

-- Ways to further reduce the overall Soviet presence in this country.

-- Increased border controls on Soviet personnel.

-- Placing greater controls on the financial/banking activities of hostile foreign missions.

-- Requiring the divestiture of property owned by hostile country missions that do not permit the U.S. Government to own property in their countries.

Mr. Chairman, we believe that the strategy we are now carrying out -- comprising the elements of enhanced control and monitoring, constraints applied to the size and activities of hostile country establishment here, and deterrence -- is a sound and effective approach to addressing this serious threat to our national security. As I said earlier, much has been accomplished already, but much more remains to be done. The Secretary and the Department of State are committed to taking further realistic and effective action with the tools now at our disposal. We are convinced that with the continued cooperation of the counterintelligence community, we can significantly reduce the ability of hostile intelligence agencies to compromise our national security, while protecting significant national interests of our own in the areas of collection or communication.

Thank you, Mr. Chairman.

Chairman ROTH. The subcommittee is in recess.

[Whereupon, at 11:32 p.m., the subcommittee recessed to reconvene at the call of the Chair.]

○